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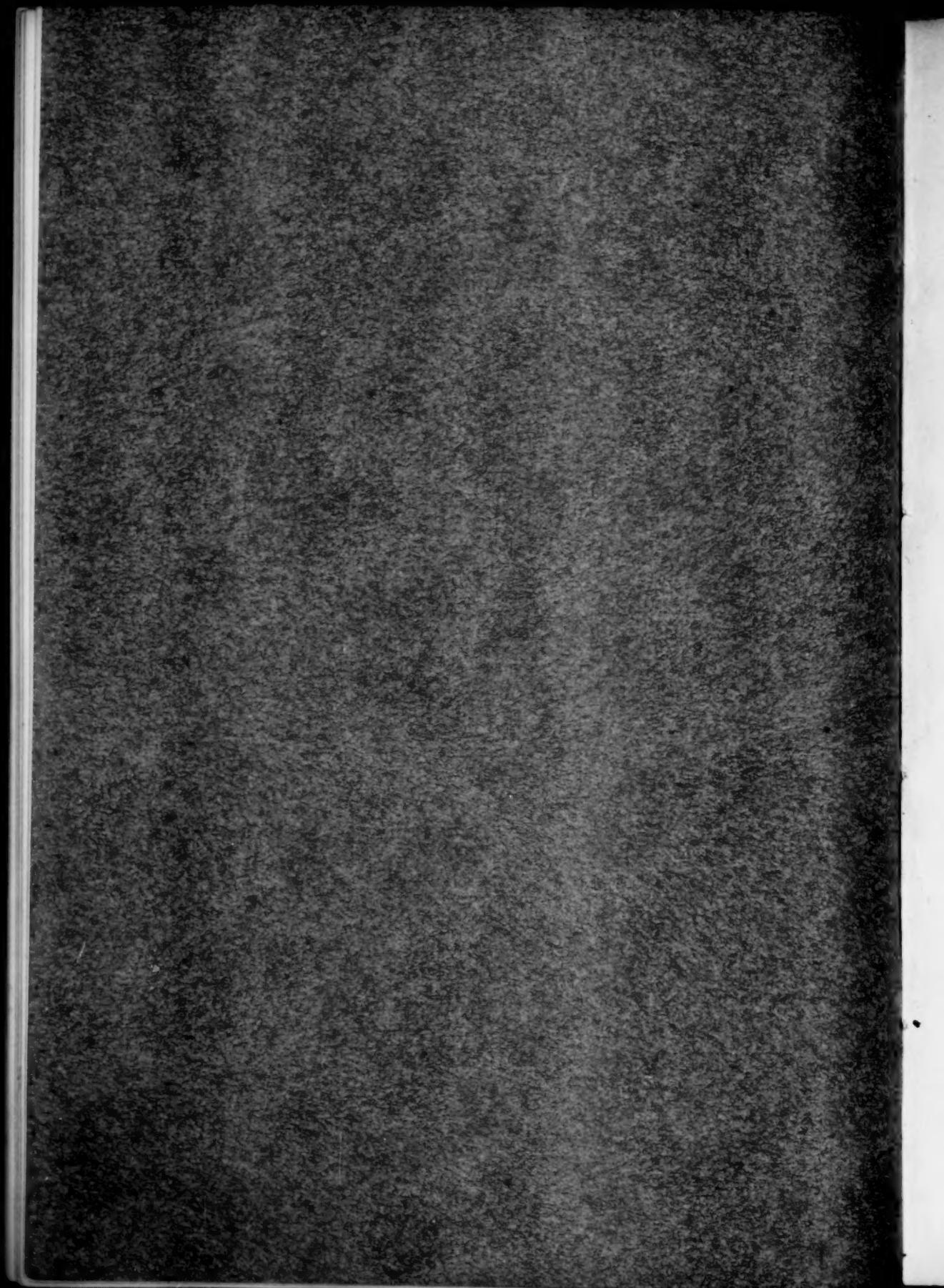
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Revision





# TARIFF REVISION

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## THE ANNALS

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## CONTENTS

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	PAGE
TARIFF REVISION A PUBLIC NECESSITY.....	1
<b>D. M. Parry</b> , President, Parry Manufacturing Company, Indianapolis, Ind.; Ex-President, National Association of Manufacturers.	
WHAT PROVISIONS OF THE DINGLEY TARIFF REQUIRE REVISION? .....	7
<b>Albert Clarke</b> , Secretary, Home Market Club, Boston, and former Chairman United States Industrial Commission.	
WHAT OUGHT THE TARIFF RATES TO BE ON IRON AND STEEL MANUFACTURES? .....	20
<b>A. B. Farquhar</b> , President, A. B. Farquhar Company, Ltd, York, Pa.	
TARIFF RATES ON HARDWARE .....	26
<b>Charles W. Asbury</b> , President, American Hardware Manufacturers' Association, Philadelphia.	
HIDES, LEATHER, BOOTS AND SHOES AND THE TARIFF.....	31
<b>A. Augustus Healy</b> , Vice-President, United States Leather Company, New York.	
WHAT OUGHT THE TARIFF RATES TO BE ON PAPER AND PULP? .....	36
<b>Chester W. Lyman, M.A.</b> , Assistant to President, International Paper Company, New York.	
RECIPROCITY IN OUR FOREIGN TRADE RELATIONS.....	46
<b>William R. Corwine</b> , Secretary, American Reciprocal Tariff League, New York.	
TARIFF REVISION AND PROTECTION FOR AMERICAN LABOR..	51
<b>John R. Commons, A.M.</b> , Professor of Political Economy, University of Wisconsin, Madison.	
TARIFF RELATIONS WITH CUBA—ACTUAL AND DESIRABLE..	57
<b>Edwin F. Atkins</b> , of E. Atkins & Co., Boston, Mass.	
COMMERCIAL RELATIONS OF THE UNITED STATES WITH CANADA .....	66
<b>Hon. John Ball Osborne</b> , Chief, Bureau of Trade Relations, Department of State, Washington, D. C.	

# Contents

iii

	PAGE
NOTES ON OUR TARIFF RELATIONS WITH MEXICO.....	79
<b>Hon. Francis B. Loomis</b> , Formerly Assistant Secretary of State, Washington, D. C.	
WASTE IN EXTERNAL TRADE IN GENERAL AND WITH THE ORIENT IN PARTICULAR .....	84
<b>John P. Young</b> , Editor, San Francisco "Chronicle;" author of "Production and Progress," etc.	
OUR TARIFF RELATIONS WITH THE PHILIPPINES—ACTUAL AND DESIRABLE .....	99
<b>General Clarence R. Edwards, U.S.A.</b> , Chief, Bureau of Insular Affairs, War Department, Washington, D. C.	
THE CONVENTIONAL TARIFF SYSTEM .....	103
<b>N. I. Stone</b> , Tariff Expert, Department of Commerce and Labor, Washington, D. C.	
THE AMERICAN INTERPRETATION OF THE "MOST FAVORED NATION" CLAUSE .....	119
<b>Chester Lloyd Jones, Ph.D.</b> , Instructor in Political Science, University of Pennsylvania, Philadelphia.	
THE MAXIMUM AND MINIMUM TARIFF .....	130
<b>John Franklin Crowell, Ph.D.</b> , "The Wall Street Journal," New York City.	
TARIFF MAKING—FACT AND THEORY.....	135
<b>H. E. Miles</b> , of the National Association of Manufacturers; Chairman, Central Committee on Expert Tariff Commission, Representing Fifteen National Organizations.	
A PERMANENT TARIFF COMMISSION .....	145
<b>Hon. Albert J. Beveridge</b> , United States Senator from Indiana.	
IMPORT DUTIES: HOW THEY SHOULD BE LEVIED .....	165
<b>D. A. Tompkins</b> , President, D. A. Tompkins Company, Char- lotte, N. C.; Member of United States Industrial Commis- sion, 1899-1900.	
AN ARGUMENT FOR A PERMANENT EXPERT TARIFF COMMIS- SION .....	170
<b>H. E. Miles.</b>	

(For Contents of Book Department, see next page.)



## BOOK DEPARTMENT

CONDUCTED BY CHESTER LLOYD JONES

Notes, pp. 176-189.

### REVIEWS

- DUNNING—*Reconstruction—Political and Economic, 1865-1877*  
(p. 189) .....L. S. Rowe
- HANOTAUX—*Contemporary France (1870-1900)*, Vol. 3 (p. 190)  
W. E. Lingelbach
- LEA—*The Inquisition in the Spanish Dependencies* (p. 191) ...J. A. Robertson
- METCHNIKOFF—*The Prolongation of Life* (p. 192) .....S. Nearing
- O'SHEA—*Linguistic Development and Education* (p. 193) ....G. B. Mangold
- POOR—*The Solar System* (p. 194) .....W. S. Tower
- RUSSELL—*The Uprising of the Many* (p. 194) .....H. R. Mussey
- SCOTT-ELLIOT—*Chile* (p. 195) .....L. S. Rowe
- SHAW—*The Outlook for the Average Man* (p. 196) .....E. S. Bradford
- SIMPSON—*A Treatise on Plague* (p. 196) .....W. S. Tower
- SMITH—*The Story of Iron and Steel* (p. 198) .....W. S. Tower
- SPARGO—*The Common Sense of the Milk Question* (p. 199) ...H. R. Mussey
- SPEARS—*A History of the United States Navy* (p. 199) .....R. G. Gettell
- URUSOV—*Memoirs of a Russian Governor* (p. 200) .....Lurena W. Tower
- WATSON—*The Future of Japan* (p. 201) .....P. S. Reinsch
- WEALE—*The Coming Struggle in Eastern Asia* (p. 202) .....C. L. Jones
- WELLS—*New Worlds for Old* (p. 203) .....H. R. Mussey
- WESTLAKE—*International Law*, 2 vols. (p. 204) .....L. S. Rowe

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### LIST OF CONTINENTAL AGENTS

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- SPAIN: Librería Nacional y Extranjera de E. Dossat, antes, E. Capdeville,  
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## TARIFF REVISION A PUBLIC NECESSITY

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By D. M. PARRY,

President Parry Manufacturing Company, Indianapolis, Ind.; Ex-President  
National Association of Manufacturers.

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✓ The tariff question is no longer one of protection or free trade, but rather one of correcting the abuses of the protective system and of furthering the general industrial good by taking account of industries which have a surplus production seeking a foreign outlet, as well as of giving consideration to industries which cannot, without assistance, sustain themselves against foreign competition in the home market.<sup>1</sup> The demand for new legislation to accomplish the purposes just stated has become widespread in recent years, and both political parties, recognizing the strength of the demand, have committed themselves this year to legislation in the near future. Inasmuch as for the last decade and a half the money question has rendered political results without meaning as relating to the tariff, the practical unanimity of opinion to-day that the tariff law needs overhauling is to be regarded as a decided gain for righteousness by those who believe in "sweet reasonableness" in tariff matters. However the scope of the promised legislation remains yet to be determined. The expression of independent sentiment, regardless of political affiliation, is largely responsible for the present movement, and perhaps this independent sentiment will have a potent influence in shaping the new legislation. It is significant that nowhere is there a dissent to the opinion that the tariff is high enough, and it is generally taken for granted that the new law must be in the direction of lower duties, either by direct revision or by the adoption of the maximum and minimum arrangement, whereby the same end can be accomplished through reciprocity treaties which at the same time widen the foreign market. In addition the outlook for the creation of a permanent tariff commission is destined, I believe, to receive increased attention as offering the most feasible solution of the problem of introducing business principles into our tariff system.

There need be no apprehension that the new legislation will be antagonistic to the protective principle. Nowhere is there any serious advocacy of free trade. That the protective tariff has been and is a vital factor in the diversifying and building up of our industries is a deeply-rooted faith among the people. Even in the central West where not to exceed 5 per cent of the population are engaged in tariff industries, there is a general willingness to continue taxation for industries that need it. But, though the protective principle is, not being subjected to serious attack, yet it is well to emphasize, on occasion, that the tariff is a tax paid by the people, and that no industry can acquire a vested right in its permanent payment. Surely if there were a more general understanding that the tariff is a tax in which private interests share the proceeds with the government, there would be a more rigorous questioning of various duties imposed than has yet been manifested. Also it is important to emphasize that unless the tariff is wholly a protective tariff there is no good excuse for its existence. Its one valid object is to enable the home producer to collect a tax or subsidy from the public in selling his product, this being done in order to encourage the development of the industry and to place it on a competitive level with foreign producers. A tariff levied for the primary object of raising government revenue is an abomination and a crime. With the single and somewhat inconsequential exception of a tariff on articles which cannot be produced in this country, no tariff can be devised which does not give private interests a share in the proceeds. In the case of every tariff the government collects the tax only on the foreign article imported, while the home producer collects it on the article made at home. In the case of a tariff mainly for government revenue it is presumed no valid reason exists for giving the home producer the benefit of the taxing power, and, therefore, such a tariff is justly to be stigmatized as an engine for the unjust diversion of wealth from the possession of the many to the pockets of the few. As our present tariff is presumably solely a protective tariff, the revenue the government receives from it must be regarded as merely an incidental result of the protective policy, and treasury deficits cannot have any proper influence whatever on new tariff legislation—if the government finds it needs more money there is only one honorable and sensible way of raising it, and that is by



levying a tax of such a nature that the entire proceeds from it will go into the public coffers without division with private interests.

It is almost universally taken for granted that there is a large number of industries in need of tariff protection, but when we come to specify these industries and to ascertain just how much protection is really needed, it must be confessed that the average man finds himself confronted by a riddle of almost sphinx-like impenetrability. The ignorance on tariff details is colossal. For the want of some public agency which can investigate the needs of the industries and supply impartial data as to the effects of tariff duties, the public is like a trusting lamb being led to the slaughter. It is given out that Congress is well informed on the tariff, but it is painfully noticeable that when Congress has a tariff law under consideration it falls rapidly away from a discussion of duties on their merits, and resorts to the famous log-rolling method, which is based on that high dictum of statesmanship, "You tickle me and I'll tickle you." The present tariff is just such a hodge-podge as may reasonably be expected under the circumstances.

The tariff costs the people millions of dollars annually, and it ought to be regulated from the standpoint of obtaining the maximum of industrial good at the least cost. To do this it should be regarded as a business undertaking by the nation—it should be divorced as far as possible from politics. The creation of a permanent tariff commission would go far toward accomplishing this end. Such a commission, composed of experts, would have the time to investigate every phase of the subject thoroughly, and its recommendations, founded on exact and impartial data, would carry great force. The members of Congress appear to oppose the creation of such a commission because they seem to fear it will encroach on their prerogatives. They declare they are as competent to handle the tariff as any commission, but it is not a question of competency, but rather one of time in which to study, investigate and consider a myriad of details. Congress has no more time to go into these details than it has to dig post holes. Still we have no commission at this time, and it is the task of Congress to show the country what it can do in the way of turning out tariff legislation that gives the public a fair deal while treating the industries with what, let us say, is fair generosity.

Can many of the duties in the present tariff be pruned without

doing violence to the protective principle? I believe that any reasonable man will answer this question in the affirmative. Protection is granted for the purpose (1) of enabling new industries to establish themselves and (2) to offset for labor in industry in general the difference between labor cost at home and abroad. For the first purpose high duties are considered needful, but it cannot be argued that these high duties should last forever. If the "infant" industry does not become lusty and mature after the lapse of some years, then it would seem to be an indication that it is constitutionally incapable, in which case taxation in its behalf is worse than money thrown away. On the other hand if it does become healthy and strong and able to stand without props, then it is time for the props to be taken away. The magnificent showings of our statistical tables are rather convincing evidence that the most of our industries are able to stand on their own feet at this time, and very little has been heard for years about infant industries. The natural inference is that quite a number of our tariff duties can be scaled without doing violence to the protective system.

The second purpose of protection given above, that of offsetting the difference in labor cost at home and abroad, is the more important. The standard of wages being higher in this country than abroad, the cost of production is correspondingly higher. To enable many of our products to compete with the foreign product, some measure of protection is essential, and the country can well afford to tax itself in order to protect its labor against the cheaper labor abroad and to maintain the American standards of living. Still it is instructive to note that no country is richer in natural resources and human energy than this, and as a consequence there are some of our industries at least which are able to pay American wages and still compete with the foreigner without assistance. An examination of the tariff schedule readily discloses that many of the items more than liberally provide for the difference in labor cost at home and abroad, and once more the inference enforces itself on our minds that there are many duties that can be pruned without endangering the protective principle.

It is an abuse of the protective principle, an inexcusable breach of the public trust, for private interests to enjoy the taxing power to a greater extent than what is fairly needful for their protection against foreign competition.

Sometimes it so happens that competition between home producers operates in time to eliminate in whole or in part the advantages which an industry may have once derived from a tariff duty. The duty ceasing to be a means for the taxing of the public for the protection of the industry, no longer serves any useful end on the statute books, and becomes a temptation for the elimination of competition between the home producers, so that they may again make it an active agency for taxing the public. Frequent charges are made that various duties have thus become "trust" protectors instead of "infant" industry protectors, all of which goes to show that there are various sorts of abuses which may grow up under a protective tariff which is not amended from time to time.

It being a practical certainty that many duties can be lowered without ruinous invasion of the home market by the foreigners, it may at once be concluded that tariff reduction is the just policy to pursue. But there is another and very important phase to the situation which is entitled to careful consideration, and which suggests the advisability of adopting a plan whereby we may secure the reduction of foreign tariffs while reducing our own. Quite a number of our industries have reached a point of development where they are capable of a greater production than the home market demands, and the number of such industries will increase in the future. These industries should have a foreign outlet for their surplus production, and it is just as important, if not more so, that their natural growth be not checked as it is that new industries be assisted to a self-sustaining basis. Tariffs are now largely a matter of international agreement, and to secure reductions in duties of foreign tariffs on goods we can export, we should be in a position to offer in return concessions in our own tariff. Hence the force of adopting both a maximum tariff and a minimum tariff, with sufficient margin between them to allow for the making of reciprocity treaties. The value of a permanent tariff commission to assist in the execution of this plan for international agreements ought to appeal forcibly to the country.

In tariff negotiations with other countries we must make up our minds that it will be necessary to offer genuine concessions, and therefore it is essential that the minimum tariff be made as low as possible consistent with the absolute requirements of the protective principle. The present tariff could well serve as the maxi-



mum tariff. Possibly some of the duties could on reasonable grounds be raised for this purpose, but any attempt to make the present schedule practically the minimum schedule would make the new legislation nothing but a farce. The free list should be considerably enlarged in the minimum tariff, particularly as relating to raw materials—it is well to remember that one of the ways to build up home industries is not to tax the raw materials they use and also it is a senseless policy which puts a premium on the rapid exhaustion of our natural resources.

While there are many other things beside the tariff which are responsible for good or bad times, yet the tariff has its effect, and it will tell for prosperity to put our tariff system on a business-like basis and to make such changes in the law as will make the burden of taxation no higher than is needful for carrying out a fair and honest protective policy.

## WHAT PROVISIONS OF THE DINGLEY TARIFF REQUIRE REVISION

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BY ALBERT CLARKE,

Secretary of the Home Market Club and former Chairman of the United  
States Industrial Commission.

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For three years there has been a growing demand for a revision of the tariff, and now that the occasion is riper than it was, revision has been agreed upon and the preliminary work begun. I have been trying all the while to have some immediate revisionist file a bill of particulars, but without success, except that a few have said the iron and steel duties are too high, wool and woollens require overhauling, the lumber, pulp and paper duties should be repealed or reduced, all important raw materials should be put in the free list and reciprocity should be promoted. Most of these suggestions have been made in general terms and by men not engaged in the industries proposed to be affected. The time is now at hand when suggestions must become definite to be of any value.

The Republicans having resolved to maintain the policy of protection, and the Senate being assuredly Republican for four years, it is easy to prognosticate that whatever the Democratic policy may be (this article is written prior to the Denver convention), the revision that will take place will seek to readjust duties and regulations, bringing them up to date, rather than to enter upon any change of policy. All the free traders and many protectionists, however, think there should be a general reduction and few or no increases. Investigation has convinced me that they will have to be disappointed if Congress carries out the Republican promise, and this because of facts which I will proceed to state.

The present tariff was enacted in 1897. Except in one or two cases of the accumulation of several years' supply of imported products under its predecessor, it was in normal operation by 1900. The test of a tariff as to whether or not it is too high, or not sufficiently protective, is seen in the imports of a series of years.

The following table of our principal competing imports in 1900, 1904 and 1907, which have been coming in over the Dingley duties in increasing volume, is the briefest possible statement of the items that suggest the possible need of higher rather than lower duties:

*Competing Imports Which Have Increased*

	1900.	1904.	1907.
Automobiles and parts of .....			\$4,041,025
Bone and horn, manufactures of .....	\$271,893	\$249,515	292,073
Books, music, etc. ....	1,551,966	1,907,617	3,072,127
Brass, manufactures of .....	24,816	56,796	.....
Breadstuffs, total .....	1,803,729	3,247,503	5,892,968
Brushes .....	977,513	1,372,227	1,586,556
Buttons and forms .....	592,501	892,612	936,085
Coal tar colors and dyes .....	4,890,072	4,918,503	5,635,001
Mineral waters .....	662,022	860,678	1,053,976
Potash, muriate .....	1,804,254	2,407,957	3,860,555
nitrate .....	269,739	366,526	400,200
total .....	3,437,160	4,403,794	6,289,342
Soda, total .....	5,908,611	9,821,666	14,481,740
Chemicals, total .....	53,705,152	65,294,558	82,997,914
Chocolate, manufactured .....	240,141	426,486	830,611
Clays, dutiable .....	926,111	1,191,291	1,846,289
Clocks and parts of .....	344,440	621,239	610,060
Watches and parts of .....	1,406,111	2,369,235	2,983,113
Cocoa, manufactured .....	313,561	300,409	371,816
Bagging, dutiable .....	318,417	263,680	1,218,346
Bags, jute .....	1,327,215	1,307,231	4,330,530
Cordage .....	68,920	384,961	407,997
Burlaps .....	10,606,185	14,630,647	29,113,847
Total dutiable, manufactures of fibres..	30,974,034	39,221,694	67,028,070
Fish, total dutiable .....	6,426,817	8,610,653	10,780,075
Fruits, total dutiable .....	9,744,413	10,806,572	13,944,094
Nuts, total dutiable .....	12,020,300	14,720,100	21,345,833
Furs and manufactures of.....	5,413,317	5,757,129	8,972,600
Glass and glassware .....	5,037,931	6,583,168	7,596,631
Glue .....	537,492	598,546	596,667
Gunpowder and explosives .....	383,150	730,861	1,211,308
Hair, manufactures of .....	248,226	87,476	565,603
Hats of straw, etc. ....	734,633	1,237,155	2,832,226
Hides of cattle .....	19,408,217	10,989,035	20,649,258
Hops .....	713,701	1,374,327	1,974,900
Copper, manufactures of .....	37,569	35,929	82,542
Cork, manufactures of .....	464,658	810,733	1,707,930



	1900.	1904.	1907.
Cotton, manufactures of:			
cloths, bleached or dyed .....	8,156,301	8,144,383	12,727,769
clothing, except knit .....	1,231,231	2,505,035	3,771,183
knit goods .....	4,715,762	6,044,691	8,671,848
laces, edgings, etc. ....	19,208,165	24,848,764	39,756,502
thread, yarn, not spooled .....	5,272,491	5,060,533	6,940,261
total manufactures of cotton .....	41,296,239	49,524,246	73,704,635
China, not decorated .....	1,081,685	1,337,381	1,257,051
decorated .....	7,176,659	10,193,072	11,885,680
Eggs .....	8,741	61,458	26,276
Emery, ground .....	28,317	90,932	216,061
wheels, files, etc. ....	11,485	12,547	17,749
Feathers, not dressed .....	1,736,458	2,742,018	4,401,131
dressed .....	117,265	171,339	1,772,380
artificial, and fruits .....	2,225,202	2,432,496	3,332,004
Flax, dutiable .....	1,646,274	2,541,874	2,254,112
Hemp, dutiable .....	450,260	860,260	1,534,371
India rubber, manufactures of .....	818,420	1,157,042	2,519,661
Iron and steel:			
ores .....	1,497,022	1,593,277	3,660,449
pig .....	2,109,501	4,047,167	15,654,767
bar .....	1,028,877	1,366,097	1,669,165
rails .....	83,738	1,190,536	133,936
hoop .....	31,749	70,281	129,100
ingots, blooms, slabs .....	1,389,028	3,398,692	3,033,928
wires and manufactures of .....	386,316	722,580	1,330,852
machinery .....	3,569,096	3,184,968	4,963,429
other manufactures of .....	1,671,899	3,976,250	3,057,449
total iron and steel .....	11,767,226	19,549,848	33,633,075
Ivory, manufactures of .....	49,418	74,497	69,544
Lead, pig and other .....	3,142,469	3,838,734	4,364,890
manufactures of .....	13,781	2,788	20,832
Leather .....	132,674	772,610	597,449
manufactures of .....	6,773,024	6,190,984	12,322,248
Marble and manufactures of .....	812,606	1,408,433	1,569,476
Stone and manufactures of .....	215,944	263,941	376,786
Matches .....	156,705	230,867	201,927
Matting of straw, etc .....	2,674,911	3,609,795	3,769,202
Meat products .....	471,315	844,960	936,397
Dairy products .....	1,814,068	3,352,506	5,832,035
Metals and composition .....	4,791,493	6,337,823	10,325,446
Musical instruments and parts .....	1,090,541	1,366,285	1,498,724
Animal oils .....	273,367	638,591	344,358
Mineral oils, free .....	217,405	247,906	1,140,734
dutiable .....	3,042	32,840	165,132

	1900.	1904.	1907.
Olive oil, refined .....	1,170,871	1,875,825	3,523,725
Paints and colors .....	1,535,461	1,674,193	2,013,481
Paper, except lithograph and parchment .....	3,795,645	5,319,086	10,727,885
Perfumeries .....	533,411	853,135	1,250,855
Pipes and smokers' articles .....	301,959	704,631	1,126,635
Rice, dutiable .....	1,875,609	1,869,338	2,118,147
Silk, manufactures of:			
clothing .....	1,657,641	2,805,804	5,218,620
laces and embroideries .....	3,206,857	4,864,318	6,646,902
ribbons .....	1,811,644	1,978,013	1,816,582
velvets, etc. ....	2,316,115	1,702,486	2,652,034
total manufactures of .....	30,894,373	31,973,680	38,653,251
Soap .....	623,144	900,841	973,286
Spirits, wines and malt liquors:			
malt .....	1,727,256	2,313,325	3,408,763
distilled .....	3,609,831	4,957,507	6,886,691
wines .....	7,421,495	9,391,870	11,808,781
Straw and grass, manufactures of .....	336,287	508,358	725,861
Sugar, total .....	100,250,974	71,915,753	92,852,253
Tobacco and manufactures of:			
leaf .....	13,297,223	16,939,487	26,055,248
manufactures of .....	2,364,137	3,133,859	4,137,127
Toys .....	2,923,984	4,977,380	6,993,561
Vegetables .....	2,935,077	7,008,602	5,728,472
Wood and manufactures of:			
sawed lumber, dutiable .....	7,495,509	8,878,474	16,255,350
pulp .....	2,405,630	3,602,668	6,348,857
total dutiable, manufactures of .....	14,635,340	18,565,180	31,576,546
Wool and manufactures of:			
Class 1—clothing, dutiable .....	8,009,985	8,573,494	21,378,304
Class 2—combing, dutiable .....	2,633,721	2,819,822	3,235,281
Class 3—carpet, dutiable .....	9,617,230	13,420,275	16,920,443
total unmanufactured .....	20,260,936	24,813,591	41,534,028
Manufactures of:			
clothing, except knit .....	992,619	1,309,995	1,674,915
cloths .....	5,129,529	4,158,597	5,732,200
dress .....	5,872,085	8,205,835	9,240,245
knit .....	495,961	515,747	210,856
shoddy and noils .....	86,887	52,697	271,116
yarns .....	129,688	112,925	154,668
total manufactures of .....	16,164,446	17,733,788	22,321,460
Total dutiable imports .....	\$482,704,318	\$536,957,131	\$790,391,664
Per cent of free .....	43.21	45.82	44.90

The table shows that before the panic of October, 1907, there was a steady and in many cases a large increase in imports. It covers more than three-quarters of the total dutiable imports. It proves conclusively that the duties are far from prohibitory, and that in some cases they are not adequately protective, if protection is to be the policy of the country. Some increase was natural, owing to gain in population and purchasing power, but domestic industry should be allowed to meet most of the increasing demand, hence Congress will naturally take each case of large increase and inquire whether or not the prosperity of the domestic production of the article has been affected.

Anticipating that inquiry, I have by circular asked one thousand manufacturers and merchants what tariff changes the experience of their own business suggests. In replying, a few have followed the vogue of the last three years and in general terms recommended reduction all along the line, giving no specific reasons for it, and not confining themselves to their own business. This, of course, is not helpful. Many, however, particularize and in most cases show that present duties should be increased, or the classification or basis of computation changed, or that customs regulations should be modified so as to effectuate and not defeat the law. This information, like the foregoing table, will doubtless be a great surprise to most of those who have called for reduction, and yet no honest protectionist can ignore or lightly consider it, because it is the result of experience. As briefly as possible I will specify some of the changes thus far suggested.

1. *Lithographs* (included in "books, music, etc." in the foregoing table). The importation has doubled in seven years, although our people are amply equipped to meet their own needs. There is an obvious incongruity in the duty of 20 cents a pound on paper not exceeding .008 of an inch in thickness, and only 8 cents on paper between .008 and .020, exceeding 35 square inches in size and less than 400 square inches; for show cards 16 x 24 of the first class, weighing 100 pounds per 1,000, bear a duty of \$20, while an equal number and size on a slightly heavier paper, say .009 of an inch thick, weighing 112 pounds, bear a duty of only \$8.96. Then if the size is changed to 416 square inches, the duty is *ad valorem*. There are no technicalities in the business which call for these distinctions. Congress can easily substitute a compound duty which will

be simpler and more effective. The wage of a skilled lithographer in Germany is about 30 marks (\$7.14) a week. Similar work here commands \$22.00 to \$50.00.

2. *Brushes.* It will be seen by the table that the import has increased 60 per cent under present duties. A western manufacturer writes that his strongest competitors are now the Japanese. Their wages do not average more than 25 cents a day, while he pays an average of \$1.55. Clearly the duties need raising if labor is to be protected, and certainly \$1.55 a day is not too much, where skill is involved.

An eastern manufacturer writes that imports are one-fourth of the country's supply. He thinks that instead of being reduced the duty should be raised to 50 per cent for protection against Europe alone. It is now 40.

3. *Brush Fibres.* Tampico or istle is now in the free list and should remain there, because it is not produced in this country. It is dressed in this country by machinery made at Burlington, Vt., which does better than hand work and at one-half the expense. This industry is protected (partially) by a duty of 20 per cent. It has recently transpired, however, that in England the purchasers of this machinery cannot afford to operate it, although the wage paid is only one-half that paid here, because of the competition from Germany and Belgium where wages are so much lower. Do these facts suggest lower or higher duties in the United States?

4. *Cotton Manufactures.* With a larger and better equipment in this country than ever before, seventy-three million dollars' worth of cotton goods were imported last year. The table shows great increases of nearly all kinds. Thus far not one manufacturer or merchant has specified to me a duty that he thinks can be reduced with safety, but two have said that the coarse goods would suffer least from it. Laces, edgings, embroideries and fancy weaves are the newest domestic cotton manufactures, and they have to compete with almost the cheapest labor in Europe. This competition has practically doubled in the last seven or eight years. The same is true of cotton knit goods, especially under the new administrative arrangements with Germany and France. Yet prices have not increased correspondingly with the prices of raw cotton and other supplies and with wages.

Last year's import of cotton manufactures equaled the total  
(276)

production of three of the largest cotton manufacturing cities in this country—Fall River, Lowell and New Bedford. It nearly equaled the product of Maine, New Hampshire and Rhode Island combined. It surpassed the product of all the Southern states except the two Carolinas, and of all the Middle and Western states combined. It is a tremendous fact to be reckoned with, and as cotton machinery has been very largely increased during the last five years in England, Germany, Italy, and Japan, and the cost of ocean transportation is so small as to afford little or no protection, what changes in our duties do these facts suggest?

5. *Clocks and Watches.* The introduction of American machinery in Europe has naturally resulted in an increased import of watches. Sales of certain American watch movements abroad at lower than home prices and their reimportation for advertising purposes (as is claimed by domestic manufacturers), have created some public demand for lower duties. The great Waltham works are now closed for want of orders. Domestic manufacturers have not yet indicated what, if any, changes in duties are needed. Prices are so low that every citizen can own a good watch if he is in the least thrifty.

6. *Corundum.* Nearly all the pure corundum that is used in this country comes from Canada and pays a duty of \$20 a ton, which is considered to be for the protection of a patented artificial product which is said to be marketed under restrictions that amount to favoritism. A manufacturer of grinding wheels thinks the present duty a misapplication of protection.

7. *Fibers and Manufactures of.* The large increase in the import of jute bagging, bags and burlaps does not seem to cause domestic manufacturers to ask for a change of duties, but probably the anomaly of the situation will of itself call for investigation by Congress.

8. *Hides of Cattle.* The agitation of this subject two or three years ago quieted down after the Democratic leaders in Congress gave notice to the shoe manufacturers that they would not consent to a repeal of the 15 per cent duty without a guaranty of reduction in the prices of shoes. As the shoe and harness industries have greatly prospered, the duty is not considered a serious burden, and the agitation for its repeal was largely political. One of the



worst effects of the duty grows out of the drawback on exported leather. The foreign buyer demands and usually gets a concession of the whole or a part of this drawback and thus has an advantage over the domestic buyer. A large manufacturer of shoes suggests that if the duty cannot be repealed the drawback had better be.

9. *Iron and Steel.* The greatest demand for revision has been directed against the iron and steel schedule. It is the cause of the agitation carried on by the National Association of Manufacturers, which is dominated by the vehicle and implement and agricultural machinery manufacturers and some other large consumers of iron and steel. They claim that by reason of the duty, or of combination, or both, the iron and steel producers have been making excessive profits, although their calculations do not allow for the cost of developing mines and transportation facilities and the substitution of new for old processes. Neither have they given the producers credit for maintaining steady prices during a period of great and increasing demand, when higher prices could have been exacted.

It remains to be seen what effect the reduction in prices on sheet and tin plates, which was made early in the year, and on iron ore, billets, sheet bars, plates, structural iron, merchant pipe and wire nails, which was made on the 9th of June, will have on the demand for a reduction of duties. The above table, however, shows considerable gains in imports of nearly all iron and steel shapes, and as there are European syndicates formed for the purpose of aggressive exploitation of foreign markets, changes should come only after exhaustive inquiry, if at all.

Although the largest corporation in the world has been formed in this industry, domestic competition and foreign competition have both increased under present duties, and if the duties are reduced the domestic competitors of the so-called trust will be likely to suffer more than the trust itself. This was the testimony of many independent manufacturers before the industrial commission. The force of this domestic competition, which is claimed as one of the triumphs of the protective policy, is seen in the recent reduction in prices. There are people who think that American industries, whether combined or not, which cause an economic price by large development and by concessions to normal market conditions, are of more importance to the country than any possible benefits derivable from abroad.

10. *Oil, Mineral.* It has been suggested, not from the industries, but by tariff reformers, that a fraud was perpetrated upon the country by adding an exception to the mineral oil clause in the free list, making the import dutiable when it comes from a country which puts a duty on our oil. There does not seem to be proof of any fraudulent intent, and the reasonableness of the exception is evident. The import of dutiable oil, though small, has largely increased and there is a much larger import of free oil, which shows that the claim that only one country could send it to us is not true. It should be borne in mind that the Standard Oil Company is not the only domestic producer and that if it were it is entitled to justice. The relative smallness of the import to the domestic product, however, makes the duty too small to talk about.

11. *Paper and Pulp.* The unfinished hearing by the Mann committee went far enough to convince the majority that the duty is not responsible for the advance in price and that if it were repealed or reduced, foreign exporters and not domestic consumers would get the benefit. The demand for repeal was made by well-known advocates of free trade, who had become officers of the American Newspaper Publishers' Association, and although the association gave them authority to attack the duty, the facts had not then been developed, and many of the members now sustain the committee's finding. In the general revision there may be some change in the duties, but no change is probable which will aim a blow at the pulp and paper industries.

12. *Silk.* Not one recommendation has been received for modifying the silk duties. Although the import is still large, the domestic product has steadily increased and become so variegated that only special patterns now need to be brought from abroad. It is a testimony at once to the wise adjustment of the duties and to the enterprise and skill of American manufacturers that this important industry is so well established and so prosperous and that its products are so reasonable in price that no demand seems to have arisen for any important changes of duty. The industry has fully justified its protection. The value of the domestic product has increased from \$87,298,454 in 1890 to \$133,288,072 in 1905.

13. *Starch.* The duty, 1½ cents a pound, applicable also to all preparations used as starch, was collected for a year or two and then by some strange ruling it was no longer applied to tapioca

and sago flours, which are largely used as substitutes for potato and corn starch. The import of these flours last year was 58,391,075 pounds. The government lost its revenue and the starch-makers lost their protection. Starch making is threatened with ruin unless this mistake in administration is corrected.

14. *Sugar.* Strictly this article does not belong in the foregoing table of imports which have increased, because sugar imports have declined, but I wish to call attention to the fact that they are still large. Our sugar beet production has increased so rapidly as to indicate a continuance of present duties. In 1905 there were fifty-one establishments, with a daily capacity of 35,900 tons of beets. They were located in fourteen states and territories. In five years there was an increase of 70 per cent in the number of establishments, 177 per cent in the capital, 101 per cent in the number of wage earners, 127 per cent in wages paid, and 233 per cent in the value of the product—all this in spite of freer importation of cane sugar from our insular possessions and from Cuba. The only demands for reducing the duties are from consumers or competitors, and they are much less insistent than they were a few years ago, because the increasing supply tends to reduce the price.

15. *Wood and Manufactures of Wood.* There has been a great demand for reduction or repeal of the duties on lumber, on account of the large advance in price and a fear that we are too rapidly using up our supply. It is now admitted, however, that the price is not chargeable to the duty, for it remained the same for some time after the duty was enacted, and that if the duty were to be taken off the price would remain the same while the demand is great. The only effect of repeal, therefore, would be that our treasury would lose the duties and foreign exporters would save them. It should be added that this would slightly conserve our forests, but only at the expense of employment. Logs for boards and pulp are already admitted duty free.

Where scientific forestry is practiced there can be a large annual cut without exceeding the growth, and it would seem that this is the direction which the legislation should take rather than repealing the duties and turning one of our largest industries over to Canada. In 1905 there were in all parts of the country 19,127 saw and finishing mills, with a capital of \$517,224,128, employing 404,626 wage earners, and turning out a product valued at \$580,-

022,690. This does not include the great industry of logging, in which there were 12,494 establishments, with a capital of \$90,454,494, and employing 146,596 wage earners, to whom \$66,989,795 were paid.

In view of the magnitude of the industry, its existence in every state and territory, the means which are coming into use for preventing waste and the planting that is taking place, besides the certainty that a repeal of duties will not reduce the price, the only recent suggestions of change in the tariff are to offset any export duty which the Canadians may place on logs. It cannot be known in advance precisely what form this should take.

16. *Wool and Woolens.* This is the most difficult schedule in the entire tariff, because wool growing must be protected and manufacturers must be allowed an extra duty to compensate for it. The present schedule is the result of years of conferences (battles some have called them) between the growers and the manufacturers and of long study by experts and by committees of Congress. While some of the manufacturers would like lower duties, particularly on carpet wool, and while dealers as well as manufacturers would like to substitute an *ad valorem* duty for a specific duty on heavy shrinkage wools, so that they would not have to pay for grease and dirt, yet the difficulties of agreeing are so great that most of them say they prefer a continuance of existing arrangements to the evils that they know not of. In products which have to compete with cotton goods, like hosiery, the wool duty is said to force a large use of poor shoddy, but just how to remedy it and still protect wool is an unsolved problem.

Notwithstanding other branches of agriculture have been increasingly profitable and tempting, sheep husbandry has held its own and gained moderately as a result of protection. The gain would have been much larger, especially in New England, New York and Ohio, but for the dog nuisance. An increase of sheep for both wool and mutton is most desirable, hence, in the interest of consumers, tariff changes of a discouraging character should not be made.

The woollen and worsted manufacture has made gratifying progress. In 1905 the capital employed in it was \$370,861,691, the wages paid \$70,797,524, and the value of the product \$380,934,003, the last item showing a gain of 28.3 per cent in five years.

Improvement in the quality of the product was equally marked, some of the mills now turning out cloths that compare favorably with the best made abroad and at lower prices.

It remains true, as demonstrated by Senator Aldrich in 1894, that if the whole duty on wool were added to the cost of a five pounds suit that ordinarily retails for \$20, it would increase the cost only about sixty-five cents, and most of it would be shared by the manufacturer and dealer.

17. *Works of Art.* There seems to be a more general demand than ever before for a repeal of the duty on works of art. It was not designed and has not been maintained for protection, but for revenue only, although this has not been generally understood. Such works usually become a valuable possession of the public after a period of private ownership and are generally enjoyed by the public from the first. There will certainly be no opposition to the repeal on the part of protectionists.

Whether the duty is removed or not, the law should be amended so as not to exempt articles involving a great deal of labor, like large, polished and elaborately carved marble altars (not antiques), which are now made in this country at more than twice the foreign labor cost, and which are manufactures rather than products of individual genius.

18. *Scientific Instruments.* The exemption from duty of scientific instruments for educational institutions greatly discourages their production in this country, although the manufacture here is able to meet nearly every need. There is complaint of the injustice of requiring an industry that has to be conducted under the conditions of protection to sell under the conditions of free trade.

19. *Better Administrative Features.* The modifications of the treasury regulations embraced in the compact with Germany and since extended to other nations have developed strong opposition, and without doubt several changes in the law will be proposed to secure an execution according to its purpose. This subject is highly controversial and suggestions will necessarily await the testimony of experts.

20. *A Customs Court.* A leading New York business journal has recently proposed that a customs court be established, so as to relieve the over-worked district and circuit courts and secure a more prompt and expert decision of cases that are appealed from



collectors and the board of general appraisers. This has for some time been a growing need and Congress will be likely to give it careful consideration.

The foregoing suggestions are presented as indicative rather than comprehensive. Once revision is entered upon there will be recommendations of many small changes, some of which will undoubtedly be found meritorious.

Rates and regulations which take into account only the difference between foreign and domestic labor cost are not up to date. When a foreign state-owned railroad carries goods for export at only one-half its domestic rates, it practically pays a bounty to its producers for exploiting foreign markets. Why should not that indirect bounty be offset by an extra duty, the same as a direct bounty is now? It is a practice for railroads and steamships to make joint rates on through bills of lading, and this has caused millions of dollars' worth of foreign goods to be delivered throughout the trunk and gulf line territory of the great Central West at a lower cost for freight than domestic industries can secure for a much shorter haul. Thus European crockery is delivered at St. Louis, Chicago and St. Paul for a smaller freight charge than is made to those points from Trenton, New Jersey. This practice must be broken up or protection will be largely nullified.

It seems appropriate to say in conclusion that if the protective party is again intrusted with power its revision should be based upon facts, and not upon clamor raised by the other party. If the facts do not justify reduction but call for increase, the party must have "the courage of its convictions." It has been common to say that only principles and not schedules are sacred. Schedules, however, become the expression of principles and are just as sacred as any other law while they last. Rates must be sufficient or protection fails.

## WHAT OUGHT THE TARIFF RATES TO BE ON IRON AND STEEL MANUFACTURES?

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The question, what ought any tariff rate to be? is one that cannot be satisfactorily answered in the absence of an accepted criterion of the "ought"—an understanding to whom exists the obligation implied in the word, and how that obligation was incurred. Without such a criterion and understanding our hands are tied at the very outset. We might listen to those who would tell us that the paramount obligation of government is to vested rights—however they may have come to be vested—and so be convinced that no tariff ought to be changed without the free consent of the beneficiary. We might be persuaded by those, on the other hand—fully equal to our first supposed advisers in patriotism and intelligence—whose fundamental maxim is that government has no right to limit the liberty of any citizen further than is necessitated by the equal rights of other citizens, that any tariff rate at all, higher than is needed for the bare existence of government, is an infringement on the people's rights. From either of these antagonistic points of view the question is already settled, without argument. The fact that it is proposed for discussion evidently indicates some intermediate criterion, which should be strictly observed and distinctly stated.

For the purpose of this discussion I shall therefore assume, without undertaking to prove them, the following postulates:

(1) The continued production of iron ores, of pig iron, of ingot steel, and of iron and steel manufacturers in the United States, in some such quantity as at present, is desirable.

(2) Therefore, any diminution of the tariff duty on such products, as will by cutting down the profits of production considerably reduce the amount produced, is not desirable.

(3) But any diminution that will not considerably reduce production is desirable in proportion as it makes the completed manufactures cheaper to the consumer.

(4) Accordingly, the tariff rates ought to be reduced to the extent thus defined, no further.

In the practical application of these assumed principles, we meet with the difficulty that the information particularly required can be had only by experiment, and that no experiment under precisely corresponding conditions has been made. But we can pretty safely infer, other things being equal, that if the cost of production in this country exceeds that in the best-equipped competing country by a certain amount, that product will continue to be produced if the duty is not reduced below that amount; that if any product can be sold at a certain price, more of it will be in demand at a lower price; and that the more widely distributed the source of supply of any commodity, the less subject its price will be to sudden fluctuations.

Inquiring what is the excess cost of production of iron and steel in this country, we find that for a full half of it no excess exists, and that for a considerable proportion there is a large difference the other way. To the cost of pig iron, as produced by the United States Steel Corporation, we have some concurrent testimony: first, for 1899, that of a paper prepared for the British Institution of Civil Engineers by the Messrs. Head, afterward quoted with approval by Mr. J. S. Jeans, secretary to the British Iron Trade Association. According to which the cost of a ton produced in Pittsburg was 32½ shillings, or \$7.90, while that produced at Middlesborough cost 52 shillings 2 pence, or \$12.70—fully 60 per cent higher; second, the independent calculation in Mr. J. Russell Smith's recent article on "Cost and Profits of Steel-Making," written in 1907, according to which the cost of material is \$7.00 and the entire cost \$8.00 for a ton of pig iron. I have reviewed Mr. Smith's figures, and, though prepared to admit that his \$3.00 for ore may be somewhat too small, even though the corporation owns the mines and the transporting railways and steamer-lines, I am sure that his \$4.00 for coke and limestone is decidedly too large. In the English estimate for 1899 the ore slightly exceeded \$5.00, while the coke and limestone together amounted to but \$1.80 at Pittsburg. True, coke sells anywhere from \$1.00 to \$4.00 a ton, or even higher in feverish states of the market, but its cost is another story. In fact, a properly managed coke oven will pay for all the cost of its raw material and labor, repairs and depreciation, with its

by-products, gas, gas-tar and ammonia, leaving the coke without cost. Mr. Smith himself proves this by his figures, and afterwards appears to forget it in his estimate of cost. He would be quite right in rating this material as highly costly, calculating on the wasteful methods of preparation that have been heretofore too common in Pennsylvania. But with improved methods, the corporation owning the coal mines and the ovens, he allows too much for it. For pig iron produced under the best conditions, as by the Steel Corporation or the Jones and Laughlin works, we might estimate the cost of iron ore at \$3.75, instead of \$3.00; that of coke and limestone at \$1.75 instead of \$4.00, "while the labor and maintenance charges add but another dollar," making \$6.50 in all, which appears to me a decidedly closer estimate than \$8.00.

This, it must not be forgotten, is confessedly a "bottom figure;" the top figure for cost is naturally the market price of the iron, which is usually \$15 to \$20 or over; and there may be all grades between. For an average cost we must refer to the figures of the United States census of manufactures, which show for 223 establishments engaged in the manufacture of pig iron in 1900, reduced to 190 in 1904, the aggregate expenditures for salaries and wages, materials and miscellaneous, were respectively \$159,755,409 and \$210,555,407, producing 14,447,791 and 16,623,625 gross tons of iron, which therefore cost (without allowance for depreciation or repairs of plants) \$11.06 and \$12.67 per ton. Of this total increased cost of \$50,800,058, about 69 per cent (\$35,042,447) was increased cost of ore consumed, and over 93 per cent (\$47,438,263) was increased cost of all materials.

Comparing the British cost of production at Middlesborough, quoted above, with the average just obtained from United States census data, we find a correspondence practically exact for 1904. If we assume British costs unchanged since 1899, and other things equal, it would follow that more than half of the United States production in 1904 could have been sold without loss at free-trade prices. But there is no exact correspondence between the figures used in this comparison. The English figures include a small allowance for repairs, etc., which the United States census figures have not. But a more important difference between them is the date to which they apply, in years of rapidly advancing prices. In that view, the Middlesborough \$12.70 for 1899 ought not to be com-

pared with the census \$12.67 for 1904, but rather with the \$11.06 for 1900.

The cost of labor at the furnace per ton of product is an item of some interest. The English estimates for 1899 put this at forty-nine cents for Pittsburg and seventy-three cents for Middlesbrough, the difference in our favor being due of course to greater use of machinery. Mr. Schwab is quoted by Secretary J. S. Jeans, of the British Iron Trade Association, as finding "that the best record for labor, etc., at the blast furnace per ton of pig iron was 41.1 cents, which included . . . time-keeping and superintendents' salaries," etc. This was for the Edgar Thomson Works in 1902. Mr. Frank Popplewell, of Manchester, in a "Gartside Scholarship" report on a tour in this country in 1904, says of one of Messrs. Jones and Laughlin's furnaces in Pittsburg: "The labor charges for operating this plant were stated to be forty cents per ton of iron; for repairs twelve cents per ton, and the total charges of labor, repairs, interest on investment, and depreciation, about \$1.00 per ton. This figure will not differ greatly at any of the works in the Pittsburg district where the same state of efficiency holds in respect to equipment." Mr. J. Russell Smith uses the same estimates identically, as seen above, for the Steel Corporation's costs, apart from material. So much for the most favorable figures; but figures less favorable could be given in abundance. In the same article Mr. Smith speaks of his investigation of "a comparatively small blast furnace," at which the labor cost "was for a recent year \$1.17 per ton," and explains the difference by "the fact that the economical Pittsburg furnace did not make its pig iron into pigs," but carefully observed that by sending it "a splashing liquid straight from the blast furnace to the converter, there is a saving of \$1.50, which would have been spent in making pigs and again melting them." This cost saved, of "making molds for the pig iron, running it into the molds, breaking it up, piling it, handling it, and finally loading it into cars," is very largely labor-cost. In Pennsylvania in 1906, by the report of the State Bureau of Industrial Statistics, 11,244,292 gross tons of pig iron were made at a total pay-roll expense of \$12,063,566, or \$1.07 per ton, which may or may not include salaries and office expenses. The wages per ton for the entire United States in 1904, by the census report, were \$1.14, or, when salaries of officers, superintendents, foremen and clerks



are included, \$1.31; the corresponding figures for 1900 having been \$1.28 and \$1.44. Three points seem to be made out by this examination: (1) That labor cost at the furnace is extremely variable in the United States; (2) that it is on the whole progressively diminishing, although the total cost of the iron is increasing; (3) that it forms but a minor part of the total cost of production, ranging from 5 or 6 per cent upward, about 10 per cent as an average.

In stating my fundamental assumptions I intentionally left the admissible reduction of production, by lowered tariff rates, somewhat indefinite. Reasonable men may widely differ as to the amount, some dreading the effect of any unsettlement of present conditions and others trusting confidently to the law of supply and demand and to the adaptability and ingenuity of our fellow-citizens to weather any changes. Taking the figures exactly as they stand, and supposing pig iron admitted free of duty without another change in the tariff, the evidence that it would continue to be produced in the country at a price from \$2.00 to \$4.00 lower than at present, to an amount never equaled here until 1901 (that is, more than half the present production), and without serious inconvenience to the laborers of the country, amounts to complete demonstration. It would be quite possible to add some weighty reasons for the belief that the proportion of iron so produced would speedily increase, and that after a few years the temporary backset would be no longer noticeable; but it would be unnecessary, for no one proposes to alter the tariff rates in that way. Any reduction of the rates on pig iron would be accompanied by a provision admitting iron ore free, which would make no practical difference to the corporations owning both furnaces and mines, but would be a decided encouragement to the furnaces for which ores have to be bought. It would probably be accompanied, also, by reduced rates on steel, and iron and steel manufactures, which would doubtless increase the demand for machinery and all iron ware in the United States, and thus arrest any alarming fall in the price of the crude metal. If carried out in these ways, I am convinced that the effect of an entire removal of the duties on pig iron would be altogether for good, but I would cheerfully consent to abide by the results if half were removed now and the remaining half as soon as the first step should be clearly recognized as beneficial.

With regard to the cost of production of ingot steel, there is

very little to say further than Mr. J. Russell Smith has said in his *Journal of Economics* article. He lays stress, justly enough, on the wide differences for different establishments, and calculates the cost of conversion in Pittsburg at from \$3.50 to \$4, admitting that it might reach \$7.00 per ton for plants of less efficient construction, equipment, and operation." This gives, as a bottom figure, but \$10 for steel ingots, adding to which \$2.00 as the minimum for rolling steel rails, shows that the Steel Corporation could produce the rails for as little as \$12 under the most favorable circumstances; or, say, from \$12 to \$15 as a rule. A \$16 price would assure the trust a moderate profit, whereas the price it asks is \$28. For years our tariff was \$28, but it has now, by successive reductions, fallen to \$6.72. Since the English price is not less than \$20, and since for twenty years the cost of manufacture has been less in Pittsburg than anywhere on the globe, there would be no harm in putting steel rails on the free list.

Although most machinery and manufactures of iron and steel could by this time be admitted free without more than temporarily disturbing their production in the United States, so abrupt a change is not recommended at once. With free ores and pig iron, a general removal of half the duty could be made now without appreciable embarrassment of manufacturing, and this could be followed, gradually, by farther reductions. Free trade is the condition of stable equilibrium, toward which every adjustment should aim, be it slower or swifter in its action.

It is objected by defenders of the present high-tariff system that a lowering of duties, while it would only diminish the profits of the great corporations, would drive smaller producers out of business altogether, and leave our manufacturing more in the hands of the trusts than ever. There is much truth in this. Competition is always driving trades from those less able, to those more able, to stand it. The practical question is: how much is this country prepared to pay, out of the daily earnings of its people, to keep these smaller producers in business? They can be kept going, as long as we are willing to reach into our pockets for the means. But the necessity, or even the desirability, of maintaining people in doing anything in which others can serve the public more effectively, I did not include among my fundamental postulates.

## TARIFF RATES ON HARDWARE

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Theoretically considered, tariff rates should represent the difference between the cost of production in the United States and in foreign lands. From a protectionist's viewpoint there should be, in addition to this, a margin of safety to provide against varying conditions. The costs of production are continually fluctuating, for the obvious reason that costs of raw material and of labor are continually changing. In times of great business activity the costs advance, and, generally speaking, in times of business depression the costs decline. Periods may come when the demand is far more active within our own borders than within the borders of our industrial competitors abroad. The tariff rates, therefore, should be sufficiently high to provide for these natural differences, and should be sufficient to fully protect those who work with their hands against the competition of the lower-priced labor elsewhere.

The real difficulty in undertaking to arrange tariff schedules scientifically is to determine the cost of production. Manufacturers of hardware have been giving most earnest study to ways and means of determining, with a fair degree of accuracy, their own costs. This is by no means a simple or easy task, especially if an attempt is made to manufacture a number of different lines of goods. It is comparatively easy to keep a record of the actual time of employees currently spent in the production of anything; but there are so many items of expense hard to apportion among the different lines, such, for instance, as supplies for the plant, non-productive help, etc. This apportionment must be the result of experience, and a corps of intelligent employees must be provided to keep currently the necessary records for use in determining costs. If, therefore, it be considered that the manufacturer himself finds great difficulty in determining accurately his own costs, then it is but logical to conclude that any congressional committee, or any body created by Congress, would find it almost an impossibility to determine, with any degree of accuracy, what the tariff rates should be upon the theoretical basis of difference in cost of

production here and abroad. In the case of hardware, it will be seen that the difficulties are magnified certainly beyond the average of other classes of manufactured goods.

The term "hardware" includes a wide variety of articles, ranging from those usually looked upon as raw material, because of the small amount of finishing they require, to that class of article which is highly finished, and upon which the labor forms a very high percentage of the total cost.

It might truthfully be said that 5 per cent duty would be sufficient upon the former, although it might be, that the latter would require a protection of 100 per cent or more. This statement is made with a thorough realization of the theory of arranging the tariffs to provide for the difference in the cost of production, as above explained.

There is probably little appreciation of the wide variety of goods usually classified as "hardware." As an illustration, a single item might be selected and divided into its correlative constituents. Take wire, for instance: First, we find wire in different metals—German-silver, aluminum, iron, steel, bronze, brass, tin, lead and solder. In iron and steel wire we have plain, galvanized and tinned. In copper and aluminum wire we have the large variety of insulated wires, as well as plain. We also have awl wire, baling wire, barbed wire, basket handle wire, belt hook wire, bookbinder and bottling wire, broom and brush wire, bundling wire, button fastening wire, crimping wire, dental wire, and in addition a large variety of wire cords, ropes, cables and wire cloth, as well as a large list of articles in which wire constitutes the chief raw material from which they are made.

It will be readily seen that the labor cost in many of these items is relatively higher than in others. Consequently if equitable tariff rates should be desired upon wire, each kind, quality and size would have to be considered by itself, and a rate made in accordance with the theory first advanced, that is, covering the difference between the cost of production here and abroad, with a fair margin to cover fluctuating conditions.

It will, of course, be understood that we have selected but one item usually classified as "hardware," whereas there are really thousands of items within the classification, ranging from such low-priced items as nails, tacks, and screws, to highly finished and ex-

pensive goods, such as razors, tools and even watches and clocks. It is, therefore, unthinkable to attempt to answer succinctly the question, "What ought the tariff rates to be on hardware?"

This same reasoning would apply to many other lines upon which there is no specific classification under the laws which have been enacted. Generally speaking, the magnitude of the task of framing an equitable and just tariff law is little appreciated. The law-making bodies, as at present constituted, cannot be expected to possess, or have the means of acquiring, the intimate knowledge of all of our industries, necessary for the enactment of scientifically perfect schedules in a tariff law. It has, therefore, been urged, in some quarters, that a permanent commission be created, with members appointed for life, or during good behavior, at salaries consistent with the responsibilities of the office, and with powers to call witnesses and appoint special agents for investigations at home and abroad, in order that each item may be carefully considered upon its own merits, after a thorough investigation of all of the conditions surrounding it.

The theory advanced by those who favor the creation of such a commission is, that it could keep well and currently informed as to each item and its fluctuating costs at home and abroad, making frequent reports to Congress of its findings, recommending the rates of duty which should be applied. It would be necessary to leave the ultimate fixing of rates to the Congress itself, but the reports and recommendations of the commission would probably be accepted by the public as dependable, and the maximum of confidence could, therefore, be placed in a tariff bill so created. Such a course, if adopted, would probably eliminate the cycle of business unrest which usually accompanies tariff agitation.

At the last session of Congress a bill was introduced authorizing the creation of a commission as above described, and Senator Beveridge advanced some very pointed and logical arguments in favor of it. He quoted section 193 of the tariff act now in force, in which section a large proportion of the articles usually classified as "hardware" are entered for customs purposes. This section reads:

Articles or wares not specially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, pewter, zinc, gold, silver, platinum, aluminum, or other metal, and whether partly or wholly manufactured, 45 per cent ad valorem.



Referring to this particular section Senator Beveridge said:

Under this paragraph our customs officers have subjected to a duty of 45 per cent ad valorem, stoves, implements, electrical apparatus, gold and silver boxes, tin or brass boxes, brass tubes for bedsteads, brass sheets, bronze crosses for churches, bullets, bull's-eye lanterns, buttons with metal shanks, carriages, carts, railway cars, automobiles, cannons, chafing dishes, chisels, church bells, coal scuttles, nails, copper wire cranks and shafts, drawing instruments, dress trimmings in which metal is the material of chief value, dyes, tools, pistols and other firearms, etc. These are only a few instances taken from an alphabetical arrangement of the tariff decisions, there are thousands like them and even more absurd.

Will anyone contend that a simple article like nails should have the same rate as an electric dynamo?

Is there any logic in classing buttons and stoves together?

Should bullets and buggies, should automobiles and bull's-eye lanterns pay the same duty?

Are farm implements and gold boxes in the same class?

Is there any connection between carriages and dress trimmings?

Is there any reason why cannon for war, and crosses for churches should be classified alike?

Yet all these are in the same classification and pay the same rates; but more absurd than this is the fact that they are put in the same classification by the appraisers and the courts passing on each article because Congress did not classify them at all. Nobody knew what duties these articles would have to pay until the guess of the appraisers and the courts filled up the holes in the law.

Much might be said in discussing the question of tariff broadly from a political standpoint, but I will refrain from any such attempt, confining myself to a business view of the subject. The present law has been severely criticised upon the ground that the average of its schedules is much higher than conditions warrant; also upon the ground that its schedules are inequitable, some being excessively high, while others are inadequate to afford a reasonable measure of protection.

Referring to the first objection, the protectionist says "it is a good fault." He fails to see the injustice of schedules higher than necessary. He argues that it makes little difference if it be admitted that the tariff rates should be thoroughly protective, whether or not higher duties are charged, because a protective tariff would minimize imports, and if the rate be higher than necessary, it will do no harm, because the same minimum applies.

Of course, the answer to this is, that certain combinations

might control the production of those goods which were excessively protected, in which event it would be possible for them to maintain abnormally excessively high selling prices, and thus do a grave injustice to the public at large. When we reach this point it naturally opens the door for a discussion of the trust problem with all of its complications, and upon this it is not my purpose to enter.

Referring to the second objection to the present law, namely, that its schedules are inequitable, this I think will be generally admitted, but it must be remembered that it is practically impossible to frame a law which will provide equitably for the thousands upon thousands of items necessarily to be considered in connection with our total imports and the great variety of our manufactured goods.

Some idea of the greatness of this problem might be had from the thought that nearly every object upon which the eye rests is included in the variety, and in order to provide equitable tariff rates, each single item would have to be figured separately, its cost of production obtained in some way, and the cost of the production of the same article in many foreign lands also ascertained. Such a task is almost too large for handling by the Congress of the United States or any other duly constituted body. It, therefore, becomes necessary to take certain aggregations of similar goods and combine them into single schedules in framing the tariff bill. It would seem to me, therefore, that the present statute is not properly subject to the severe criticism it has received. I am inclined to entertain a large measure of confidence in the ability of the men who framed it, although I am conscious of the fact that conditions have materially changed since its birth, and that a fair, reasonable revision would be beneficial.

In conclusion I will make an attempt to answer the question, "What ought the tariff rates to be on hardware?" in a general way by asserting my belief that the existing rates are not materially higher than they should be if fair, reasonable and equitable protection is to be given to the industries and their employees. Fortunately in the tariff question there can be no issue between employer and employee; their interests are coincident and parallel. Upon this question labor certainly secures its full measure of benefit without assuming the risks incident to the investment in property necessary to the industrial employer.

## HIDES, LEATHER, BOOTS AND SHOES AND THE TARIFF

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BY A. AUGUSTUS HEALY,  
Vice-President United States Leather Company, New York.

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As at present conducted, tanning hides into leather and manufacturing leather into boots and shoes are separate industries, but for the purposes of this article they may be considered as one. Together they form a very great industry. There is none in the United States which is naturally more capable of successful development. There is none which has been more impeded by the tariff. This great industry now calls loudly for a reduction of the tariff. Especially does it call for the abolition of the duty of 15 per cent imposed on hides by the Dingley tariff of 1897.

Hides are its raw material. Before 1897 they had always been free of duty, excepting the Civil War tax of 10 per cent, which was repealed in 1873. The effect of the duty on hides during the past ten years has been very injurious—injurious to the hundreds of thousands engaged in the industry and to the millions of consumers of boots and shoes. Here is a necessity of life whose manufacture is smitten with a blighting tax at the very point of its origin. The United States does not produce more than two-thirds of the number of hides required therein for making leather. Even with a 15 per cent duty, one-third of the needed supply must be imported from various parts of the world, principally from South America. The situation, therefore, is one to make such an impost upon a raw material like hides peculiarly disastrous to the prosperity of the industry, while peculiarly advantageous to the few who benefit from it. Where so large a proportion must be imported, the effect of the duty is not only to raise the cost of the imported supplies, but to give an advanced and artificial price to hides produced within the United States. These are concentrated for the most part in the hands of a few owners, to whom this advantage inures. The farmer or cattle-grower gets little or no benefit from the artificial price of hides, because, being a by-product and constituting but a small part of the value of cattle when slaughtered, the

increased price of the hide does not enter perceptibly into the amount received for cattle going to market. The injury, however, to the leather and shoe industry in putting it at so great a disadvantage in competing with foreign nations in the hide markets of the world for the acquisition of its raw material is enormous. All those engaged therein realize this too well in its retarded growth and minimized profits.

This injury was foreseen when the duty was imposed in 1897, and a delegation of leather and shoe people went to Washington, while the new tariff bill was still in committee, and strongly argued against the placing of a duty on hides at a hearing given by the committee on ways and means. As the proposed duty was an entirely new feature in the tariff bill, hides having been free of duty for twenty-five years, and as there appeared to be no demand for such a duty, it was to be supposed that Congress would require cogent and positive arguments in its favor before confirming a new impost to which strenuous objection had been made. No one, however, appeared at the hearing in favor of the duty. The shoe and leather delegation were politely promised that full consideration would be given to the arguments advanced in opposition, and went away hoping and believing that they had won their case, because, as it had been developed at the hearing, it seemed to be a very clear and one-sided one in their favor. But some secret influence was at work which did not come into the light, and the duty was imposed without public reasons in its favor and against the protests of the representatives of the great industry which it was bound vitally to affect. That duty has been ever since a source of constant and increasing dissatisfaction to all the leather and shoe manufacturers of the United States.

In November, 1905, a delegation of more than thirty individuals, representing more than three-fourths in volume of these combined industries, visited Washington and laid their case before President Roosevelt, in the hope that he might be induced, by the urgency of the matter, to exert his official influence with Congress, at its then forthcoming session, in favor of the immediate repeal of the duty on hides. Nothing, however, resulted from this interview beyond the admission from the President of the importance of the subject and that it had given him anxious thought. Evidently he was then absorbed in other matters which he deemed of more consequence.

Besides, both President and Congress seemed to fear that any tariff change, even to correct a mistake that had been made, might result in opening up the whole subject of tariff revision, which was considered by them most undesirable at that time. The duty on hides remained, and somewhat later, in consequence of greater scarcity and the impediment offered to their importation by the tariff, the price of hides soared to an unprecedented height, causing disorder and confusion in the related industries, which intensified the result of the violent reaction and adverse conditions following the panic of last year. The duty on hides still continues to exert its adverse influence upon the leather and shoe industries, and those engaged therein are now turning their eyes to the extra session of Congress, which has been suggested immediately to follow the inauguration of a new President, in the hope that relief will then be afforded by repeal.

It is this particular measure of relief which all those engaged in the manufacture of leather and boots and shoes have in mind when thinking of tariff revision in connection with their own industry. Indeed, this removal of the tax upon their raw material cannot be denied them, with any justice, by Congress, when it is remembered that they are further handicapped in their business by the high duties which the tariff, in general, imposes upon imports. These duties have the effect of adding to their cost of production and at the same time diminish the foreign demand for their manufactured product, without giving them in return any corresponding benefit. The tariff adds to the large item of freight upon their bulky materials and upon their finished goods. It increases the cost of buildings, equipment, machinery and general supplies. In short, it adds to the cost of the manufactured article and at the same time, like the duty on the raw material, increases the quantity of capital required for a given amount of production. Then, again, as both leather and shoes are exportable articles, the demand abroad for them is restricted by the generally high duties of the present tariff, which prevents the importation of foreign commodities that otherwise would be sent to us in exchange for a larger exportation of leather and boots and shoes. As President McKinley said, in his last public utterance at Buffalo, "We cannot sell if we will not buy."

It is, therefore, most desirable, in the interest of this industry



and its further development, that there should be a general reduction of the present very high duties on imports, supplemented by reciprocity treaties with foreign countries, that would enable us to send them larger quantities of leather and shoes, which this country is specially adapted to produce, in return for various commodities in the production of which the natural advantage is with them. The manufacture of leather and shoes, in which our people are particularly skillful, is here capable of enormous development along these lines.

On the other hand, unless tariff changes be made in the direction of liberality, there is imminent danger that we shall lose the valuable export trade in these articles which we already possess. The markets of continental Europe are gradually being closed by exclusive duties, and it is now highly probable that England, our principal foreign customer for leather and shoes, will soon shut her ports to us unless her present liberal policy be met with tariff concessions on the part of the United States. An enlightened policy, such as is here suggested, it would surely seem to be part of wisdom for Congress to adopt, rather than one which, by heavy tariff duties, the avoidance of reciprocity treaties and a vicious tax upon raw material, tends to nullify, in part, the great advantage which the country possesses for the production of leather and its manufacture into boots and shoes.

The great oak, hemlock and chestnut forests of the United States supply abundant material of the best kind for the tanning of leather. Improved methods, the introduction of machinery and the employment of chemical analysis have aided greatly in reducing the cost and improving the quality of the product. Our shoe manufacturers are admitted to be the best in the world. Thorough organization, skill in making lasts adapted to all kinds of feet and the employment of machinery to an extraordinary degree, which is operated with a perfection and speed unequaled in any other country, have given to the United States the first place among nations in the manufacture of boots and shoes. Notwithstanding these advantages, the combined shoe and leather industry, as a whole, has not had the increase and development to which it was naturally entitled, nor has it yielded profits commensurate with those of other more favored industries. The shoe and leather manufacturers have never asked for protection or governmental aid.

They do ask now, however, to be relieved from the burdens which the tariff lays upon their industry.

Why should not the country be permitted to expand its industrial life along the line of least resistance, and why should not these shoe and leather industries be allowed full scope for the growth and development to which they are invited by natural conditions and the genius of our people, and thus be enabled to give profitable employment to many thousands more of our citizens?

## WHAT OUGHT THE TARIFF RATES TO BE ON PAPER AND PULP?<sup>1</sup>

BY CHESTER W. LYMAN, M. A.,

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The Republican platform promises revision on the basis of "such duties as will equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries." The paper industry is quite satisfied with this principle, and it asks for itself only the same application that is accorded to other industries.

Importations of paper and pulp during the past few years should be considered and if there were some kinds extensively imported that are, or might be, made in this country the corresponding duties should be increased, not for the sake of the manufacturer but to build up the country. Also articles made from paper should be so protected as to create a maximum demand for home-made paper. No duty should be lowered simply for the sake of increasing revenue, as the first and foremost object of the tariff is to build up the staple industries of the country by conserving the home market. Let revenue come from luxuries and from articles which cannot be made here.

We ask only enough protection to enable us to meet such conditions imposed on our industry by nature or law as we cannot overcome by capital, energy and brains. We want merely a duty that will make it unremunerative for foreign manufacturers to sell in this country at our rock-bottom prices. We want the existing business and we want the increment that is bound to come with the further development of the country, but we are not averse to the duties being so low that some inconsiderable quantity of paper may come into this market, believing as we do that the stimulus of potential foreign competition is not a bad thing for the industry, and that high duties invite criticism and attack.

In fact, we believe that when business is good and the demand

<sup>1</sup>While the following article is an expression of the writer's individual views, he believes it fairly represents the prevailing opinion held by paper and pulp manufacturers.

is equal to the supply, the tariff has little or no direct influence upon prices, and that its chief function is, during times of depression, to prevent outside supplies coming into a market already congested. Then it is that every ton of paper or pulp imported increases our unemployed labor and capital. There is now coming into this country a large quantity of Canadian pulp and paper. There are shipments also from Germany, Norway, and elsewhere, although many of our paper and pulp mills are shut down from lack of orders.

When consumption falls off, the manufacturer must curtail production, which increases the cost. This increase he cannot overcome without reducing wages. At such a time he can ill afford to compete with foreigners for the scanty home demand. It would certainly tend to revive business to have a maximum tariff to apply in bad times and a minimum for good times; to exclude importations when we can make more than we can use; to admit them when we cannot.

Pulp, paper, and manufactures of paper are covered in the Dingley tariff by Schedule M, which is the result of gradual growth and is not laid out on any systematic plan. It is a question, however, whether it is worth while to destroy the continuity of growth by any rearrangement on more logical lines. This is a matter that those charged with revision will have to consider in connection with the tariff as a whole.

The duties on paper are substantially the same as they were both under the so-called "Wilson revenue" act and under the avowedly high-protection McKinley act, and are, on the whole, very much lower than the general average. The duty on ground wood pulp, reduced to an *ad valorem* basis, amounts to from 8 to 13%, according to market prices; on chemical pulp, about the same; on news paper it amounts to about 15%; on book paper to from 15 to 20%, according to grade; on writing paper it varies according to weight and quality from 25 to 32%. A few high grade papers and specialties have higher duties, but the average duty, reduced to an *ad valorem* basis, on all imports of paper during the year ended June 30th, 1907, was only 27.63%, whereas for all merchandise it was over 40%.

The total value of paper and manufactures of paper imported increased from \$2,838,738 in 1898 to \$10,727,885 in 1907; and of pulp from \$601,642 to \$6,348,857. It is certain that with higher

duties much of this paper and pulp could have been displaced by domestic product. This is particularly true of pulp.

Some European countries make various grades of paper requiring great skill and experience and the application of much labor, the manufacture of which could doubtless be established in this country by means of higher duties. However, it may come about that these papers will be made here without additional protection in the natural evolution of the industry, which, like many others, started with the lower grades but has been working up to the higher grades most promisingly.

Capital is turned over in the manufacture of paper more slowly than in most industries, which means that the profit on the output ought to be correspondingly larger to make a fair return. This would entitle paper to higher duties than other commodities rather than lower, if the attempt is to be made to protect a "reasonable profit." This important fact, we believe, has been entirely overlooked in the past.

While the industry has grown enormously, as a whole it has never been extremely profitable, competition frequently having been so fierce as to be destructive. Even before the prevailing depression most branches of the business had reached an acute state of unprofitableness, and it is safe to say that the lowering of tariff rates, extending as it would the scope of competitive production, would prove very disastrous.

Capital employed in the paper business has been frightened by the attacks which have been made upon it under the leadership of some of the newspaper publishers, and the Republican party, if it remains in power, should deal with the revision of the paper schedules in a liberal and reassuring manner. The opportunities for further development in this country have by no means been exhausted, but progress is certain to be retarded by hostility manifested in any manner, particularly through legislation.

The proposition to reduce or repeal the duty on pulp has no more merit than the similar proposition in reference to paper. The fact is ignored that pulpwood is on the free list. We do not need to import both pulp and pulpwood. It is certainly better for the country to have the latter imported and manufactured here into pulp. The pulp industry is in itself an important one, the amount of pulp made to sell amounting in value to many millions of dollars a year.



Pulp is therefore far from being a raw material and it would be manifestly a discrimination against pulp manufacturers to deny them the same kind and degree of protection accorded to other industries. Moreover, pulp-making is a most important part of the process of paper-making where the two processes are combined in one plant, as in the majority of cases. It requires proportionately as much capital and labor as the after-process of converting the pulp into paper. It would be extremely illogical to cut the process of paper-making in two in the middle and provide less protection for one half than for the other.

The Republican platform proposes minimum and maximum schedules, the latter being intended "to meet discriminations by foreign countries against American goods entering their market." This feature of the tariff would not be available in case Canada should continue or extend her discrimination against this country in connection with the exporting of pulpwood. Therefore it would be safer to frame the paper and pulp schedule with the particular end in view of meeting Canadian efforts to transplant the industry from the United States to its own borders.

We would like to see in our tariff an "anti-dumping" provision such as Canada has, which practically makes it impossible for foreign manufacturers to sell their surplus in her market at lower prices than those prevailing at home; and the countervailing or retaliatory clause which is now a feature of our paper and pulp schedules, providing an increase in duties corresponding to discriminations by foreign countries in restricting pulp and pulpwood exportation, should certainly be modified to render impossible certain evasions which now are practiced.

In marked contrast with the Republican program, the Democratic platform singles out the paper industry for attack in this plank:

Existing duties have given to the manufacturers of paper a shelter behind which they have organized combinations to raise the price of pulp and paper, thus imposing a tax upon the spread of knowledge.

We demand the immediate repeal of the tariff on wood pulp, print paper, lumber, timber and logs, and that these articles be placed upon the free list.

It is well known that this plank originated with certain newspaper publishers who tried to get Congress last winter without investigation to place paper and pulp on the free list. Having failed

in that attempt, and having received no encouragement from the Congressional Investigating Committee, they nevertheless tried to get an endorsement of their proposition in the Republican platform, but without success. They have shifted the grounds a number of times on which they based their plea for free paper and free pulp. Among the reasons they have advanced are that putting these articles on the free list will prevent the destruction of our forests; that there is a monopoly of production in this country; that there are combinations in restraint of trade, resulting in extortion, and that the alleged high price of paper is a "tax upon intelligence." Their aim is to keep down the price of newsprint paper, irrespective of the welfare of the paper industry, or of the importance of this industry to the country in the development of its natural resources, in the employment of capital and labor; in the support of allied industries, and in the traffic it affords to transportation companies.

It would be impracticable to admit print paper and wood pulp free of duty without disturbing the whole industry. Wood pulp is the chief ingredient of half the paper made in this country and is used to some extent in almost every grade. In 1850 the value of the total output of paper in the United States was about \$10,000,000; in 1905 the value of the output of the paper and pulp mills was \$188,715,000. This rapid growth has been maintained up to the close of 1907. The output for that year must have reached \$225,000,000.

It would seem to be the utmost folly to tamper with any policy or conditions precedent to such results. It is no less the function of a protective tariff to maintain and promote the growth of industries than it is to set them upon their feet. This industry that appeared full-grown in 1895 has almost doubled in size since then. How different would have been the result in tangible gain to the country if, when the Dingley tariff was framed, the argument had prevailed that the industry no longer needed protection and we had thrown our market open to the world. Mature as the industry then appeared, it was, in fact, infantile in size and methods compared with its condition today. Under wise guidance the industry can and will maintain this rapid rate of growth and improvement in methods for a long period to come, if protection is not withdrawn. For example: In the South are abundant water-powers and ample supplies of suitable wood, to say nothing of the annual waste

of hundreds of thousands of tons of materials, such as cotton-stalks and seed-hulls and, in various sections of the country, flax and other fibrous plants.

Besides upwards of 4,000,000 tons of annual product, the paper mills furnish freight in the way of raw materials, supplies, etc., to the common carriers of the country, roughly estimated at four tons for every ton of product, or 20,000,000 tons of freight annually. They consume annually not less than 3,000,000 tons of domestic coal and sustain a large number of establishments which manufacture wholly or to a large extent machinery and supplies used only in paper mills. They furnish employment directly to nearly 100,000 operatives in the manufacturing plants, and to probably 50,000 in the woods, besides indirectly supporting the labor entering into the manufacture of the machinery and supplies which they purchase. It has been estimated that for every dollar which the consumer pays for paper, seventy cents goes into the common wage-fund of the country. Paper manufacturers in many sections of the country have been the pioneers, stimulating the building of railroads to new points, building up thriving villages, and even cities, and utilizing water powers that had previously gone to waste, for which there might not be any other demand for years to come. In 1905, 43% of all the water power developed in the United States was used by paper and pulp mills.

The industry furnishes one of the most valuable uses to which certain kinds of wood may be put. Timber that has a value on the stump of, say \$4, by the application of American labor and the use of American materials is converted into a product worth from \$40 to \$100, according to the kind of paper for which it is used. All these facts, and many more which might be adduced, serve to demonstrate the seriousness of taking a step that would surely check the growth of the industry, if not partially ruin it.

We have as our neighbor on the north a country which has at least equal natural advantages for making some kinds of paper, where without question the industry would have reached much larger proportions but for the fact that our duty upon paper and pulp has given to the United States manufacturer a slight advantage in supplying our market. The result is we have not only an abundant supply, but the industry as well.

Has the effect been to increase the price of paper in the United

States? On the contrary, the price has, with slight fluctuations, gone steadily downward. Better news paper, for example, is furnished to-day at  $2\frac{1}{4}$  cents per pound than was furnished twenty-five years ago for from 6 to 8 cents. The cheapening of paper has in turn increased the demand enormously, but the increase in the capacity of our mills has never failed to keep pace with the requirements of publishers and other consumers. The normal condition, in fact, has been one of over-production.

Being assured by the existence of the tariff that the natural increase in demand in this rapidly-growing country would inure to the benefit of domestic manufacturers, capital has been readily available. Only in a country where practically an unlimited demand for its product was assured could the scale of manufacture have reached such proportions as it has in this country. Throughout all the processes of manufacture of pulp and paper larger units prevail here than in any other country, except to the extent that American machines, ideas and methods have been appropriated elsewhere. Our pulp machines, our paper machines, and our plants are larger than in any country in the world. Thus to the conservation of our market is directly traceable the cheapening of production, resulting in lower prices, although we pay higher wages than are paid in the paper mills of any other country, two or three times those in European countries and considerably higher than in Canada.

If the duty is removed we must either force down wages in this country or transfer a large part of the industry to Canada. It would seem that this industry had justified its claim for future protection by past performance.

It has been urged that the duty should be taken off wood-pulp papers in the interest of forest preservation. There is no ground whatever for the claim that the removal of the duty would be for the benefit of our forests. Many erroneous impressions prevail on this subject. In the first place there is no duty whatever upon pulpwood. As long as we can get pulpwood free of duty there is no substantial advantage to be gained by having free paper, or even free pulp. In the second place, great as is the quantity of wood used by our mills, it is, according to the Forestry Department of the United States, less than 2% of the total annual drain upon our forests, and, according to the best estimates available, the quantity of any one species used for paper is less than the annual growth.

More wood is used for railroad ties than for pulp, and more for shingles, and vastly more for fuel. Almost every form of forest product, excepting pulpwood, is protected by a duty. If the forests are to be preserved for use, which is the doctrine of the Forestry Service of the Government, for what better purpose could the wood be used than to supply an industry which adds so great an increment to its value before it reaches the consumer in the form of a most indispensable commodity? For paper there is no known substitute; for many of the uses to which lumber and other forest products are put there are various substitutes available. Finally, if the duty were removed from paper and pulp, the manufacturers who own timber lands would be compelled to strip them, as they could not afford to continue their present conservative methods of lumbering in the face of competition with Canadian mills.

One of the reasons given in the Democratic platform for the removal of the duty from paper and pulp is the alleged existence of combinations or monopolies. It is only necessary to treat this phase of the subject in connection with newsprint, as newspaper publishers are the instigators of this charge, and they are avowedly interested only in so far as the price of news paper might be affected. In the recent congressional investigation of the paper industry, the newspaper publishers signally failed to show any combination in restraint of trade, or any other combination which in any way controlled the price or production of newsprint. The paper makers on the other hand, proved that while an advance in the price of news paper took place last year, other grades also advanced and prices went up simultaneously in the principal markets of the world. The advance in this country was shown to be due to natural causes, such as the increase in the cost of labor and pulpwood. They showed that there had been absolutely no curtailment of production, which has since been confirmed by Government statistics showing a large increase in the consumption of pulpwood in 1907 over 1906. They showed that a large number of newsprint mills were manufacturing and selling their product entirely independently of each other and that the largest producer made only 35% of the total output, whereas ten years previously it made 60%.

It was developed at the investigation also that the manufacturers of newsprint paper were not making any inordinate profit,



but, on the contrary, that most of them were securing but meagre returns. The Department of Justice also has failed to find any infraction of the anti-trust laws on the part of the newsprint paper manufacturers.

This same cry of combination and extortion raised by the newspapers has filled the ears of the public spasmodically for many years, and will probably continue to be raised, regardless of facts, as long as there is a protective tariff and free trade papers to carp at it. They have groaned under the burden of the price of paper while it has been going down from 25 cents to 2 cents a pound, and have charged restriction in production while the tonnage of newsprint paper has gone up from a few thousand tons a year to over 1,100,000 tons. Should there at any time be any ground for such complaints, assuredly the law of the land is sufficient to deal with the violators without recourse to so drastic a measure as removing protection from the whole paper industry, thus making the innocent suffer with the guilty.

Finally, it is claimed that the duty on paper is a "tax on intelligence." It is doubtful if any intelligent person on mature reflection would endorse this plea, even admitting for the sake of argument that the effect of protection is to raise the general plane of prices.

According to the census of 1905 only 18% of the total income of newspapers and periodicals was paid out for paper. Twenty per cent. increase in the price of paper would take only 3.6% additional from their income. Their receipts from advertisements were 56% of the total. Less than 7% increase in rates therefore would compensate for the extra bills for paper. It is no "tax upon intelligence" to increase the rate asked for advertising or decrease the space allotted, nor to reduce the size of newspapers by cutting out some of the sensational features. In most papers the size could be greatly reduced without crowding out any of the really valuable material which may have an educational or any other laudable influence. There is no sound excuse for publishers printing thousands of copies which are not sold but go to the junk heap, merely that they may in their strife for circulation, lay a basis for higher advertising rates, nor is there any justice in their seeking to shift the burden of this expense upon the paper manufacturers by demanding paper

so cheap that they can afford to waste a considerable percentage. But even if we could not have newspapers of the present size, style and price without driving out our paper industry; which alternative would be best for the country—a larger wage-fund or smaller papers? As Kipling says: "We must help the people to live before we help them to learn."

## RECIPROCITY IN OUR FOREIGN TRADE RELATIONS

BY WILLIAM R. CORWINE,

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The sentiment for reciprocity in our foreign trade relations is almost unanimous among agriculturists, and there is a strong feeling for it among manufacturers. The basis for this is the belief that our tariff system has resulted either in the adoption of tariffs by nations to which we export, which have narrowed our opportunities for extending the sale of our surplus manufactured products in those countries, or in the imposition of severe sanitary regulations against our cattle and provisions, that have seriously affected our livestock and farming interests.

Reciprocity has been an accepted doctrine of the party in power, has been espoused by some of its most far-sighted statesmen, has been declared a policy in the platforms at several national conventions, and would, undoubtedly, if put into practical effect, give an impetus to our exports beyond anything that has yet been experienced. Its value is conceded by those nations that have incorporated it in their tariff systems.

The McKinley tariff act of 1900 included a provision for reciprocity, aimed principally at the republics south of us, and resulted in reciprocity treaties with several of them and with two nations in Europe. These treaties had been in operation only a short time when, through the policy of the Cleveland administration, they were rendered inoperative. In the Dingley tariff act, passed at a special session of Congress in 1897, the provisions for reciprocity were reinstated as a governmental policy on a much more comprehensive basis than in the McKinley act of 1900. Section 4 of the Dingley act provided:

That whenever the President of the United States, by and with the advice and consent of the Senate, with a view to secure reciprocal trade with foreign countries, shall, within the period of two years from and after the passage of this act, enter into commercial treaty or treaties with any other country or countries concerning the admission into any such country or countries of the goods, wares, and merchandise of the United States and

their use and disposition therein, deemed to be for the interest of the United States, and in such treaty or treaties, in consideration of the advantages accruing to the United States therefrom, shall provide for the reduction during a specified period, not exceeding five years, of the duties imposed by this act, to the extent of not more than 20 per centum thereof, upon such goods, wares, or merchandise as may be designated therein of the country or countries with which such treaty or treaties shall be made as in this section provided for; or shall provide for the transfer during such period from the dutiable list of this act to the free list thereof of such goods, wares, and merchandise, being the natural products of such foreign country or countries and not of the United States; or shall provide for the retention upon the free list of this act during a specified period, not exceeding five years, of such goods, wares and merchandise now included in said free list as may be designated therein; and when any such treaty shall have been duly ratified by the Senate and approved by Congress, and public proclamation made accordingly, . . . then and thereafter the duties which shall be collected by the United States upon any of the designated goods, wares, and merchandise from the foreign country with which such treaty has been made shall, during the period provided for, be the duties specified and provided for in such treaty, and none other.

President McKinley lost no time in putting this provision into practical effect. He appointed the Hon. John A. Kasson, of Iowa, as special commissioner, with plenipotentiary powers, and the latter negotiated several reciprocity treaties which were deemed by him to be favorable to the United States, and which, in the judgment of President McKinley, would widely extend the market for American products.

The most important of these treaties was with France. In this treaty France granted the United States concessions from her maximum to her minimum tariff for everything on her list except nineteen articles, while we, on the other hand, excluded 337 dutiable articles from the benefits of the concessions we granted to France. The average of the concessions which France made was about 48 per cent, including oils, and about 26 per cent, excluding oils. In some cases we granted France only 5 per cent reduction, in some 10, in some 15, and in a few 20 per cent, the latter being the extreme limit to which we could go under the Dingley act, while the average of all the concessions to France was only 6.8 per cent. As this was a treaty, however, under our constitution, it required ratification by a two-thirds vote of the Senate before it could become effective, and some of our manufacturers, thinking they

would be affected by the operations of the French treaty, protested successfully against its ratification. None of the other treaties were ratified, and all that had been accomplished under the Dingley act in negotiating them went for naught, while the hopes of the reciprocity advocates were temporarily blasted.

The limitation of time within which reciprocity treaties could be negotiated and ratified lapsed long ago, and there is no way of re-establishing these old treaties or making new ones without removing the time limit through action by Congress. There was a provision in the Dingley act, however, which, skilfully adopted by the present administration, has enabled us to ward off commercial warfare with Germany, and which has been used as a basis for several commercial agreements. Section 3 of that act provides that the President may make commercial agreements with the nations producing and exporting to the United States argols, or crude tartar, or wine lees, crude; brandies, or other spirits manufactured or distilled from grain or other materials; champagne, and all other sparkling wines; still wines, and vermuth; paintings and statuary; reducing the duties thereon in exchange for concessions which such nations may grant to the United States. As this is a very limited list of articles with which to trade, naturally the concessions which other nations are willing to grant are also limited. Beyond the prescribed commercial agreements, there is at present no reciprocity with foreign nations. Section 4 of the Dingley act could be re-enacted and the limitations of time therein imposed could be extended, but even then treaties negotiated thereunder would have to go before the Senate, where it would be as difficult now, as it was under President McKinley, to obtain the two-thirds vote necessary for ratification.

Our present tariff is rigid and is so inflexible that it seems useless to attempt to do anything more than has been done with it in the way of reciprocity. The only salvation for reciprocity, it seems to the writer, is, first, in a dual tariff with an authorization to the President to negotiate, execute, and to put into operation commercial agreements within the limitations which may be imposed upon him; and, second, to eliminate treaties from the program altogether. Our present tariff could serve as a maximum, and a minimum tariff schedule could be created by Congress. If the minimum were based on a 20 per cent reduction from the present tariff schedule, then we would still be within the reduction authorized by the Ding-



ley act of 1897; and between the maximum and the minimum, there would be a margin for bargaining with foreign nations. The President within this range might be authorized to make commercial agreements in the same way in which, under section 3 of the Dingley act, he is now allowed to make agreements embodying reductions in the limited number of articles mentioned in that section.

The single tariff, such as this country uses, has been discarded by most of the leading nations which have tariffs. Various forms of the dual, or maximum and minimum tariff, have been adopted by different nations, but the result sought in all of them is wider markets for their domestic products through reductions granted in reciprocal agreements or treaties; the difference between the higher and the lower tariff charges giving opportunity for mutual concessions.

Germany, under her new tariff, has executed reciprocity treaties or agreements with nearly every other country in Europe except those nations with which, in her general treaties, there exists the most-favored-nation clause, necessitating, therefore, no special or definite reciprocity arrangements. The higher of Germany's dual tariff rates would have become effective against the United States and would have been prohibitive against many of our exports theretofore sold in that country; but its operation was postponed through a limited agreement reached between the officials of the two nations. This agreement was ultimately made into a broader one for a specified period, which can and doubtless will be extended. The agreement, however, cannot be extended indefinitely, and the United States, so far as its commercial relations with Germany are concerned, must either make a reciprocity treaty and ratify it, or be prepared to enter upon a commercial war. The United States ought to have some provision for the establishment of reciprocal relations with other nations, else it will remain behind progressive countries in which more scientific methods have been adopted to extend their trade, and will also be liable to reprisals on the part of other countries with all the disagreeable results which follow.

Reciprocity advocates are experiencing a revival of hope based upon the declaration in the platform adopted at the Chicago convention favoring a maximum and minimum tariff. The statement with which the tariff plank opens, in which it is set forth unequiv-

ocally that a revision of the tariff shall be undertaken by a special session of Congress immediately following the inauguration of the next President, lays a foundation for the belief that the door for reciprocity will be opened in the immediate and not indefinite future. The outlook for reciprocity seems brighter now than at any time since the passage of the Dingley act in 1897. The declaration above quoted practically admits that the tariff needs revision and that the present system of a single inflexible schedule is obsolete. Naturally the fight will range over the maximum. Those who are in favor of reciprocity believe that in many cases a decrease from the present tariff schedules could be made without serious harm to American industries, and that the lower basis could be used for reciprocity purposes in the adoption of commercial agreements which would stimulate our export trade.

## TARIFF REVISION AND PROTECTION FOR AMERICAN LABOR

BY JOHN R. COMMONS, A.M.,

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For nearly seventy years the effective arguments that have sustained the protective tariff have been the home market for farmers and a high standard of living for wage earners. The first depends on the second, for without a purchasing power of American labor greater than that of foreign labor the home market is not much better than the foreign market. The standard of living is the really enduring justification of the protective tariff. The tariff prevents the competition of foreign low-standard labor and draws a charmed circle within which American labor may gradually work out its own higher standards.

Now, it is an important fact that the principal leaders and advocates who framed the pauper labor argument two or three generations ago and who won its acceptance by the country, did not believe that the tariff alone would bring about a high standard of living. They looked upon the tariff merely as defensive. It needed to be supplemented by positive efforts, by voluntary organizations, by legislation, within this country. In fact, the tariff was to them simply the means by which these domestic efforts could be guaranteed a free field for successful experiment and adoption. Matthew Carey, from 1820 to 1840, did more than any other American to establish the tariff on a protective basis in the interests of labor. His indefatigable investigations furnished the arguments for petitions which manufacturers sent to Congress; for reports of Congressional committees; for speeches of Congressmen; and he, more than any one else, changed the tariff argument from protection to capital to protection to labor. Yet Matthew Carey, although an employer, was prominent in the labor agitation of the 'thirties and in his support of the labor organizations of that period. He aided and defended their strikes and brought down upon himself the blows of the free-trade organs, which rightly identified his protectionism with his trade-unionism.

Following him came Horace Greeley, who did for the people what Carey had done for the politicians. He converted them to protection by the home-market and the standard-of-living arguments. Yet there was no man of national fame in his day who did as much effective work for trade-unionism and even socialism as Horace Greeley. He presided over industrial congresses to which delegates came from the labor unions, the land reformers, from the Fourierite, and other socialistic societies. He opened the *Tribune* to these radicals and avowed himself for socialism at the time when he was also powerfully supporting protection. Indeed, he claimed that protection was necessary to enable socialism to work itself out to a successful issue free from the destructive competition of pauper labor.

When we come to the period after the war, Congressman Kelley, of Pennsylvania, so persistent and able a champion of protection as to be known to the nation as "pig-iron Kelley," often asserted, as I have been told by his daughter, Mrs. Florence Kelley, that the work of his generation must be to establish American industry, the work of the next generation would be to diffuse its benefits.

It is this hope of Congressman Kelley which I believe points toward the duty of the present day in the revision of the tariff. The socialism of Horace Greeley has long since been proved visionary. The trade-unionism of Carey and Greeley has been proved ineffective in the very industries where the tariff is most protective. In Greeley and Kelley's time the iron and steel industry seemed to be firmly established on a system of joint trade agreements of capital and labor, but, since the Homestead strike, the once powerful trade union of that industry has dwindled to a remnant. The hours of labor for men on shifts have been increased almost uniformly to twelve per day; night work and Sunday work have been extended wherever possible; twenty-four hours' consecutive work on alternate Sundays in order to change the night and day shifts has become necessary for many employees; while speeding up to the limit of endurance and cutting piece rates with increase of speed have been reduced to a science. The glass industry, too, is marked by the decline of unionism in certain branches, and even with unionism it is notorious for the exploitation of child labor. In the textile industry child and woman labor, long hours and interstate competition have defied the loudest agitation and have kept the wages

and conditions at a point actually inferior in places to those of its free-trade competitor, England. In other protected industries unionism is making a retreating fight, and I do not see how it is possible in those which have reached the stage of a trust for unionism to recover its ground. Labor cannot concentrate as capital does. It is among the industries and laborers not directly protected by the tariff, like the building trades, the railroads, the longshoremen of the lakes, that unionism has its principal strength. In all industries its influence is partial, and the great majority of the workers are outside its ranks. If their standards of living are to improve under the protecting shield of the tariff, the improvement must come through the aid of legislation.

We need scarcely stop to maintain the futility of state legislation in protecting labor in the tariff-protected industries. If the industry is competitive the more advanced states like Massachusetts cannot afford to handicap too greatly their own manufacturers. If the industry is "trustified," the trust can shut down its factories in an advanced state and throw its orders to its factories in a backward state like Pennsylvania. The tactics that defeat unionism are those that defeat state legislation.

As regards federal legislation there are serious questions of constitutionality and interference with state prerogatives. These have come to the front in the discussion that followed the Beveridge child labor bill and in the decision of the National Child Labor Committee to withdraw from that line of attack. It is doubtful whether such legislation can be brought in under the subterfuge of interstate commerce, or even under the "general welfare" clause. But more to the point is the fact that it is not based on the real consideration which the federal government offers to employers of labor as compensation for the expense which labor legislation imposes. This is the protective tariff. In this field questions of constitutionality have already been settled. Congress may impose a tariff for protection as well as revenue. It may select the industries and articles to be taxed and determine the rate of import duty. Congress is also supreme in the matter of internal revenue taxes. It may impose such taxes for regulation as well as revenue. It coupled the National Bank act with a prohibitive tax of 10 per cent on state bank notes. It has placed a heavy tax on colored oleo-margarine in competition with dairy butter. In the field of customs



and internal revenue taxation Congress "is supreme in its action. No power of supervision or control is lodged in either of the other departments of the government."<sup>1</sup> With this unquestioned control of the taxing power, the tariff can be made to pass over a share of its benefits to the wage earners for whom it is intended. The method is merely a question of the technical drafting of the law and not any innovation on the principles of legislation nor infringement on constitutional boundaries.

A feasible method has been suggested by the new Commonwealth of Australia in the taxation of agricultural machinery. The so-called "excise tariff" of 1906 was adopted on the same day as the "customs tariff." The customs tariff act imposes a schedule of duties on imported goods, and the excise law (*i. e.*, internal revenue) imposes a schedule of one-half those rates on the same goods when manufactured at home. But it is provided that in certain cases the excise duty shall not apply. These are establishments where the "conditions as to the remuneration of labor" in the manufacture of the home product (*a*) "are declared by resolution by both Houses of Parliament to be fair and reasonable;" (*b*) are in accordance with an arbitration award or (*c*) a trade agreement of employers and trade union as provided in the conciliation and arbitration act of 1904; or (*d*) are declared fair and reasonable after a hearing by a judge of the supreme court of a state or his referee. The administrative details are of course unessential. The essential feature of the Australian arrangement is an internal revenue duty at a lower rate than the customs duty on the competing article, and the remission of that duty if the home manufacturer, on whom is the burden of proof, can show that his employees actually receive the benefits intended by the protective tariff.

I do not overlook the fact that a policy of this kind requires administrative machinery and scientific investigation. But this should be required under any kind of tariff revision. Surely the tariff should not be revised or reduced except on the basis of cost of production in this country and foreign countries.<sup>1</sup> This should include, first of all, the comparative cost of labor. I believe all tariff revisionists agree to this, in order that the tariff may be retained ample enough to cover the higher costs of labor in this country. But there is a menace imminent even in such an investiga-

<sup>17</sup> Wall, 433; 195 U. S. 57.

tion at the present time, because it assumes that revision will be made on the basis of the existing long hours, low wages, and child and woman labor of many protected industries. The actual cost of labor is lower than it would be if the hours, wages, and conditions were fair and reasonable. The people of this country will gladly support a tariff high enough to pay, not merely the existing wages, but better and even ideal wages. They do not ask that the tariff be reduced to the present labor cost. In some cases, like pig iron, that cost is probably less than it is in England, but in England the blast furnace workers are on the eight-hour day, while here their day is twelve hours, seven days a week. The people willingly protect labor, but they would like to see the tariff actually passed along to the wage earner. If, therefore, a tariff commission investigates the comparative cost of labor in this and competing countries, it should inquire whether the wages and hours are actually reasonable, and what would be the cost if they were made reasonable. It is on this ideal basis and not the actual basis that the tariff should be revised. If this is done, then the only serious difficulty of the plan, that of investigation, is already provided for. Such a tariff commission would necessarily be a permanent one, and naturally it would be a bureau of the Department of Commerce and Labor.

A permanent bureau of this kind would receive general instructions from Congress as to what, from the standpoint of a reasonable American standard of life, should be the condition of labor. This might provide for all workers at least fifty-two full days of rest each year. It might provide that all continuous operations should be divided into three shifts of eight hours instead of two shifts of twelve hours. It might provide the eight-hour day in non-continuous operations for women workers and possibly for men. It might set the minimum age of child labor at fourteen. Other provisions, such as minimum rate of pay, might be more general and be left to the commission under general instructions to ascertain what is reasonable under the conditions. If upon investigation and inspection the bureau or commission finds that a given manufacturer is granting to his employees these reasonable conditions, a certificate to that effect would be the warrant of the internal revenue commissioner to remit the internal revenue tax. All the machinery for imposing such a discriminating tax is already in existence in the administration of the oleomargarine tax which

imposes a tax of ten cents per pound on artificially colored oleomargarine and one-fourth of one cent per pound on uncolored oleomargarine. This tax and its administrative machinery have been sustained by the Supreme Court of the United States as being not in contravention of the Constitution.<sup>2</sup> The only additional machinery required is that which is already widely proposed in the form of a permanent tariff commission. Such a commission, I believe, is favored by the National Association of Manufacturers, and their bill only needs the addition of a clause giving the commission power to issue and revoke these certificates of character, in order to make it an effective instrument of labor protection. This would of course require a force of inspectors or agents, and considerable expense, but the expense would be met by the added revenue.

<sup>2</sup>McCray v. U. S., 195 U. S. 27.

## TARIFF RELATIONS WITH CUBA—ACTUAL AND DESIRABLE

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Cuba's political disturbances have in the past followed economic conditions that have caused discontent and encouraged revolution; such was the case in the ten-year insurrection and again in the insurrection of 1895, which preceded the Spanish-American War.

Previous to 1868 the tariff laws for Cuba were framed with the object of giving its trade to Spain, and for this purpose four different rates of duty were enforced, the first and lowest rate being upon Spanish merchandise in Spanish vessels, the second rate upon Spanish merchandise in foreign vessels, the third rate upon foreign merchandise in Spanish vessels, and the fourth rate upon foreign merchandise in foreign vessels. A duty was in force in Spain against Cuban sugar as a protection for the cane sugar produced in its southern provinces.

As long as the European countries were dependent upon the West Indies for the greater part of their sugar supply, and Cuba was producing with slave labor and had the buyers of Europe competing with those of the United States for her sugar, little attention was given to the fact that all legislation at Madrid was for the benefit of the mother country and that nothing was being done with a view to holding foreign markets for the island.

As years passed the continental countries of Europe all became producers of beet sugar and levied heavy duties against foreign imports, thus closing their markets to Cuba, and as soon as their production exceeded their consumption requirements, export bounties were paid, which enabled them to sell free-trade England at prices a good deal below cost of production. Cuba could then no longer compete there, and so became dependent upon the United States, where, fortunately for her, a countervailing duty, in addition to the regular tariff, had been enforced against those countries paying an export bounty.

With the gradual abolition of slavery in Cuba, 1866-1880, her

cost of production had greatly increased, while, by reason of the growth of the beet sugar industry, values had been cut in two. Spain through all these changes held blindly to her course of protecting her home trade, regardless of the interests of Cuba, and the inevitable result was the long and disastrous insurrection, 1868-1878, which brought financial ruin to so many of the sugar estates of the island.

During this period the United States, up to 1884, was almost as negligent of her foreign trade interests as was Spain of the interests of Cuba. When the change came from wooden to iron ships, and from sailing to steam vessels, England was prompt, not only to furnish tramp steamers for the transportation of Cuba's sugar crop to the United States, but with English capital she built and operated under the Spanish flag steamers which carried both Spanish and English merchandise to Cuba, taking advantage of the first and third columns of the Spanish tariff for Cuba, from which American merchandise was debarred, for the United States contented herself by imposing an additional duty of 10 per cent upon Cuban and Puerto Rican merchandise in Spanish vessels. This provision was applied by the United States as late as 1874 upon a cargo of molasses imported by a Spanish schooner. In 1884 these discriminating duties were abolished by agreement with Spain. But we had for many years the singular spectacle of English-built Spanish steamers, operated largely by English capital, running from English and Spanish ports and supplying Cuba with the many articles of need which should have gone from the United States, including flour from American wheat, which was shipped from New York to Santander under the British flag and thence to Havana as Spanish flour. These same Spanish steamers came in ballast to our southern ports to load cotton back to Europe.

All this was allowed for years in the name of protection to American industries and American shipping, and at a time when, through radical changes in the commerce of the world, we were every year taking a larger proportion of Cuban exports and paying through New York, by remittance of exchange, to Spain, England, Germany and France, in settlement for merchandise with which they were supplying Cuba.

In 1890 the McKinley tariff bill was passed and by what was known as the Aldrich amendment, power was conferred upon the



President of the United States to negotiate treaties of reciprocity which would admit sugar free of duty from such countries as would make concessions in their tariffs upon American merchandise. Under the power so conferred a treaty of reciprocity was negotiated with Spain, and afterwards similar treaties were made with the principal sugar-producing countries of the world, and the United States' tariff upon sugar was practically abolished; so our exports to Cuba rapidly increased, the cost of food supplies in Cuba was greatly reduced, and the island entered upon a period of prosperity such as it had not known for many years. This lasted until the year 1895, when the second insurrection occurred.

In 1894 the change from a Republican to a Democratic administration at Washington was followed by the passage of the Wilson tariff bill, which again placed a duty upon sugar, cancelled the reciprocity treaties and brought a return to the Spanish tariff rates in Cuba. Prices of sugar declined, while cost of living increased; confidence was destroyed through such conditions, together with a threatened insurrection, and as the estates finished their crops in the spring of 1895, all work on the plantations ceased, and the thousands of laborers suddenly thrown out of employment and unable to gain a livelihood took to the woods and joined the ranks of the insurgents. The destruction of property, the loss to commerce, and the reduction of Cuba's sugar crop from 1,040,000 to 230,000 tons, with the Spanish-American War which followed in 1898, are now matters of history. In 1897 the Dingley tariff bill was passed, by which ninety-six test sugar paid 1.68½ cents per pound, about double the rate under the Wilson bill.

Following our war with Spain and the taking over of her colonies came a radical change in our trade relations with Cuba through the reciprocity treaty, which took effect December 27, 1903. By this treaty Cuban sugar enters the United States at 20 per cent less duty than is charged upon other foreign sugar under the existing Dingley rates, or in round figures 1.35 cents per pound against 1.69 cents, the full rate on ninety-six test sugar, and Cuba concedes to the United States a reduction ranging from 20 to 40 per cent from her regular tariff rates charged to other countries.

When this treaty took effect the serious competition between European beet and Cuban sugars in the United States ceased. Under the Brussels agreement all government bounties, except those

of Russia, were abolished, and the continental countries took steps to restrict their production to their consumption. England could no longer supply her requirements below cost of production, and began drawing upon her own colonies and Java, and these sugars, paying a higher rate of duty in the United States than Cuban sugars paid, were diverted to England and to the eastern countries, as long as Cuba could supply our markets.

The first effect of the reciprocity treaty with Cuba was, as expected, to give that country the greater part of the differential duty and largely to divert her orders for supplies from Europe to the United States; but as an effect of changing the sugar tariffs of practically the entire commercial world, and the subsequent diversion of commerce to its more natural channels, combined with a poor agricultural season in Europe, crops were reduced and prices temporarily rose in 1905. This stimulated production in all cane-sugar countries, including Cuba, and large crops and lower prices in 1907 were the consequence.

Cuba, after the Spanish-American War, and under the stimulus of the reciprocity treaty, gradually recovered from the effects of the insurrection, but it was not until 1904 that her sugar crop again equaled that of 1895, preceding the second insurrection.

In tracing sugar legislation for the last forty years we get an illustration of how the tide of commerce has been changed and diverted from one channel to another by the raising and lowering of tariffs and by payments of bounties, at times bringing great temporary prosperity, and again sweeping away all barriers in seeking its natural outlet.

As has been stated, the first effect of the present reciprocity treaty was to give the greater part of the differential, amounting to roundly one-third of a cent per pound, to the Cuban producers, but as our domestic production and the Cuban crop increased, the New York duty-paid price dropped, and during the period, when the bulk of the Cuban crop is marketed (January to June), prices fell so far below the parity of Europe as to transfer the benefit of the differential to the consumers in the United States, so that in effect, while the reciprocity treaty in 1907 gave the United States markets for raw sugar to Cuba, as against other foreign competitors, by allowing her to undersell them, the island received but little pecuniary benefit from the differential accorded to her, and it still had to pay

1.35 cents per pound against the free sugar from our western beets, and the caned sugars of Louisiana, Puerto Rico and Hawaii, which sources were supplying nearly half of our annual requirements and forcing sales at the time of the heaviest receipts of Cuban sugars.

While United States control has, upon the whole, greatly benefited Cuba, and both General Wood and Governor Magoon are entitled to every credit for their administration of affairs, this relation has not been without its disadvantages. When the Cuban reciprocity treaty was under discussion at Washington every effort was made, by special interests, to reduce the proposed differential on sugar to the lowest possible figure, and fearing the competition for our domestic sugar through cheaper Cuban labor, our "Contract Labor Law," the "Chinese Exclusion Act," and our immigration law were all put in force in the island by General Wood, through directions from Washington, and afterwards made permanent by the joint resolution of Congress known as the Platt amendment. This action has effectually prevented Cuba from getting an adequate supply of labor to harvest her increasing crops, and the average wage of the agricultural laborer throughout the year is now quite as high as that paid in the United States. Figures from the pay-rolls of a well-known Cuban plantation show an increase in cost of labor between July, 1902, and July, 1906, of over 40 per cent, and an increase in the harvest season months of March, 1903 and 1907, of 33 per cent. With United States control came the labor agitator from the north and the formation of labor unions under his direction. This has led to a succession of strikes from trivial cause, many of which have had most disastrous consequences.

In providing by treaty for the exports of the United States, duties in Cuba were so adjusted as to give the trade to this country by differential duties ranging from 20 to 40 per cent. Under this provision our exports to Cuba have shown a most satisfactory growth, and from an insignificant amount under Spanish tariffs they reached the value of \$51,300,000 out of a total of \$104,400,000 imports for the twelve months ending December 31, nearly 50 per cent of the total. That the percentage was not greater was largely due to the high values prevailing in the United States, owing to control of prices of so many commodities by combinations, and to higher freight rates from the United States than from Europe, due to similar control of steamship lines.

Cuba has unquestionably benefited through United States control, first by securing a market for her sugars, when all others were closed to her, and, secondly, by the maintenance of order through the presence of United States troops during all but four years of the time which has elapsed since our war with Spain in 1898. Millions of foreign capital have been invested in Cuban sugar, tobacco and cattle industries, in the building of railroads, the establishment of banks, and other important enterprises. But both the consumers and producers in the United States have also benefited, the first through the lowering of the tariff rate on Cuban sugar, the second by an increased foreign market for their goods.

The political overturn in Cuba in August, 1906, with the threatened destruction of foreign property, forced the United States to again intervene by authority conferred by both governments under the Platt amendment to the Senate army appropriation bill of February 25, 1902, afterwards ratified by the Cuban Congress. This insurrection, which was fortunately checked before much destruction had been accomplished, stopped all agricultural work at a critical period, and destroyed confidence, so that very little planting was done for the crop of 1908, and these conditions followed by a severe drought during the next summer, reduced the sugar crop of 1908 to 925,000 tons against 1,420,000 tons the previous year.

In the early spring of the present year it was announced from Washington that the United States troops would be withdrawn not later than February 1, 1909; further credit was then refused to the planters, imports fell off, and general stagnation followed. These are the conditions prevailing to-day, for there are very few people connected with the business of the island, even among the Cubans themselves, who believe the country is yet prepared for an unrestricted independent government, free from United States control in some form.

The subject of tariff revision will soon be under discussion at Washington. The treaty of reciprocity with Cuba, which went into effect on December 27, 1903, was for five years from that date (to December 27, 1908), "and from year to year thereafter until the expiration of one year from the day when either contracting party shall give notice to terminate."

Already a movement is suggested on the part of our beet-sugar

producers to prevent any reduction in the sugar schedule and if possible to terminate this treaty. These interests claim that, given a high protection, domestic sugar should, within a few years, supply our consumption at a saving of some eighty million dollars, now sent abroad in payment for imported sugars. They ignored the fact that the greater part of these imports are paid for, not in cash, but in merchandise, the product of our factories, mines and farms, over fifty millions of which now goes to Cuba alone.

Another argument against reduced duties is that the United States cannot spare any of its revenue from sugar; a glance at the following figures will show the effect upon revenue, of the marked increase in domestic production:

CONSUMPTION, SUPPLY AND REVENUE FROM SUGAR—TEN YEARS.

(Sugar given in gross tons.)

YEAR.	Consumption.	Free sugar supply.	Cuban crop.	Other countries, bal. requirements.	Revenue to June 30.
1898.....	2,003,000	556,000	(b) 230,000	1,217,000	(a) \$29,504,000
1899.....	2,078,000	537,000	345,000	1,196,000	61,596,000
1900.....	2,220,000	478,000	308,000	1,434,000	57,741,000
1901.....	2,372,000	698,000	635,000	1,039,000	63,040,000
1902.....	2,566,000	876,000	850,000	840,000	53,033,000
1903.....	2,550,000	971,000	999,000	580,000	63,630,000
1904.....	2,767,000	881,000	1,040,000	846,000	58,152,000
1905.....	2,632,000	1,070,000	1,163,000	399,000	51,439,000
1906.....	2,864,000	1,177,000	1,179,000	508,000	52,645,000
1907.....	2,994,000	1,278,000	1,428,000	288,000	(c) 60,334,000

NOTES.—Sugar statistics are for calendar years. Revenue for fiscal years. Figures of consumption and crops from Willett & Gray's Reports:

(a) Revenue effected by change in tariff August, 1907. (b) Spanish-American War. (c) Temporary increase from heavy Cuban importations previous to June 30.

During the ten-year period above given the consumption of the United States increased 991,000 tons, the average annual increase being slightly under 5 per cent; during the same period the supply of free sugar increased 722,000 tons, the Cuban crop 1,198,000, while our requirements from all other countries have decreased 929,000 tons, and the revenue under the Dingley tariff has (if we except the year 1907) not increased since 1899, but has rather diminished in face of the steady increase of consumption.

Following these figures to a logical conclusion, and barring



partial crop failures, such as occurred in Cuba the present year, when the crop is reduced to 925,000, the present tariff rate would first shut out sugars from all foreign countries, other than those from Cuba, then check, and afterwards reduce, the Cuban production, for the reason that sugar paying a duty of 1.35 cents per pound cannot compete with that paying no duty.

The revenue from sugar under the present tariff has apparently reached and passed its maximum point, and any increase in tariff rates would soon decrease it by artificially stimulating the domestic production for which consumers are already paying some one hundred million dollars annually, but little more than half of which reaches the United States treasury.

Under the Treaty of Paris, 1898, and the provision of the Platt amendment, 1902, the United States first made themselves responsible for, and afterwards assumed the right to protect life and property in Cuba. In case of further trouble following the contemplated withdrawal of United States troops, either we must return promptly or so far abandon the Monroe Doctrine as to permit the landing of troops by the European governments for the protection of their citizens, whose interests there are large and steadily increasing.

While the present differential duty of .34 cents per pound has proved sufficient to protect Cuba in the United States markets against the lower cost sugars of Europe and Java, she cannot long compete with our domestic sugars against the duty she is now paying of 1.35 cents per pound. As long as the island is prosperous and under some form of United States control, a Republican government may be maintained; but should her great sugar industry be made unprofitable, either by cancellation of the treaty or by long continuance of the present high duty against her sugar, revolution, fed by her unemployed, is sure to result in the future, as it has under similar circumstances in the past. Revolution would be followed by a third and final occupation by the United States, by annexation, and finally by abolition of all duties. Whether such a condition is desirable in the near future, either for the United States or for Cuba, is open to grave doubt, but no government in any form, other than one of military force, can be maintained unless the people are given a "square deal," and allowed to benefit through their own industry.

To put the sugar industry of Cuba upon a sound basis does not require the removal of duties here, or such drastic measures as would prevent a fair and just return to our beet sugar and other producers upon their invested capital. But these interests are no longer dependent upon the present high Dingley rates—a liberal reduction can now be made in our sugar schedules; and by continuing the present differential of 34 cents per one hundred pounds, our large and increasing export trade to the island can be held, through maintaining its leading industry in a sound and healthy condition.

Will our domestic producers allow such reduction, or will they, by pursuing the former policy of Spain, risk all, and bring about the very conditions of free trade which they are so anxious to avoid?

## COMMERCIAL RELATIONS OF THE UNITED STATES WITH CANADA

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Nature is a most powerful ally in the development of the commercial relations between the United States and the Dominion of Canada. That great northland, with an area exceeding that of this country and with a population of six million energetic, ambitious souls, has enormous natural resources and is rightly spoken of by its statesmen and economists as a land of "almost infinite possibilities." With Canada the United States has many mutual interests and there is a marked homogeneity in the people of the two countries. A glance at the map must inevitably suggest that political arrangements frequently fail to follow rational commercial lines. A straight line connecting the northern boundaries of Minnesota and Maine will cut from the Dominion the richest and most populous portions of Ontario and Quebec, and, as a matter of fact, the commercial interests of the provinces along the American border are quite as intimately connected with those of the adjoining states as with each other. Thus, the maritime provinces are geographically related to New England; Ontario to New York, Pennsylvania, Ohio, and Michigan; Manitoba and the Northwest territories to Minnesota, North Dakota, and Montana; and British Columbia to our Pacific Coast states.

Under these favoring national conditions it might be expected that there would be the freest commercial intercourse between the two countries, the principal limitation being the law of supply and demand as regards American imports of Canadian natural products and the consuming ability of the Canadian people as regards the diversified exports of the United States. In a measure this is true. The commercial movement between the two countries is indeed extensive, as the statistics given below show; but it is not as intimate and important as it would be were it not for the operation of two great factors—colonial sentiment and tariff barriers. Sentiment alone figures very little in the determination of international

commerce; but in this case it was the colonial tie that inspired and created the preferential tariff system of Canada, and this is a factor that cannot be ignored.

In recent years the Dominion of Canada has come into the ranks of the commercial countries of the world. Its total trade in 1883 was \$230,000,000; in 1893, it had risen to \$248,000,000; in 1903, to \$467,000,000, and in 1906 it exceeded \$550,000,000.

The trade between the United States and Canada in each year since 1903 was as follows:

FISCAL YEAR (UNITED STATES).	Imports into the United States from Canada.	Exports to Canada from the United States.
1903.....	\$54,781,418	\$123,266,788
1904.....	51,552,791	131,234,985
1905.....	62,469,632	140,529,581
1906.....	68,237,653	156,736,685
1907.....	73,334,615	183,206,067

The importance of our trade with Canada is shown by the fact that in the fiscal year 1907 the value of the exports of American products to Canada was exceeded only by our exports to two countries, namely, the United Kingdom and Germany. Similarly in the same year our imports from Canada were exceeded in value by the imports from only five countries, namely, the United Kingdom, Germany, France, Cuba, and Brazil.

As might be expected, nearly everything that Canada sends to this country falls within the description of raw materials for manufactures or foodstuffs. The principal items making up our imports from Canada in 1907 were logs, lumber, and wood pulp; copper and nickel ores; hides, skins, and furs; fish and animals; and bituminous coal. These in fact, have been the classes of articles that have been most largely imported ever since the days of the reciprocity treaty.

As regards American exports to Canada, while there are many heavy items coming in the category of raw materials, such as coal, both anthracite and bituminous; raw cotton, cereals, leaf tobacco, fruits, etc., the bulk of the exportation represents manufactured articles, particularly iron and steel goods, agricultural implements, chemicals, railway material, carriages, paper, etc.

The interchange of the same articles of merchandise has always

been a noteworthy phenomenon in our trade with Canada. Thus, one article may be exclusively an import in one state along the border and an export in another, or its status may be determined by the condition of the crops. The principal articles which figure both as imports and exports are the following: animals, breadstuffs, copper, fish, fruits, hides and skins, and vegetables. There is considerable border traffic in vegetables in both directions, particularly in the northeast. The identity of some of these elements in the trade has more than once been advanced as an argument against reciprocity. Thus, when the Senate was considering, in 1865, the termination of the Marcy-Elgin treaty, Senator Conness, of California, exclaimed:

How you can make a treaty reciprocal between two countries lying contiguous to each other which have the same products, the same class of industries, I cannot exactly see. Subject the arrangement of that reciprocity to a treaty, or the mode furnished by a treaty, and you have simply an arrangement in which each party endeavors to cheat the other in making the agreement to be arrived at.

The following table, from official Canadian statistics,<sup>1</sup> gives the total exports from Canada in specified years from 1868 to 1906, and the shares going to the United Kingdom and the United States respectively:

YEARS.	Total exports.	EXPORTS TO UNITED KINGDOM.		EXPORTS TO UNITED STATES.	
		Total value.	Per cent.	Total value.	Per cent.
1868 .....	\$57,568,000	\$21,329,000	37.0	\$27,534,000	47.9
1870 .....	73,573,000	24,951,000	33.9	32,985,000	44.8
1873 .....	89,790,000	38,744,000	43.6	42,073,000	46.9
1875 .....	77,887,000	40,033,000	51.4	29,912,000	38.4
1880 .....	87,911,000	45,846,000	52.1	33,350,000	37.9
1885 .....	89,238,000	41,878,000	46.9	39,753,000	44.5
1890 .....	96,749,000	48,354,000	49.9	40,523,000	41.9
1895 .....	113,639,000	61,857,000	54.4	41,298,000	36.3
1900 .....	191,895,000	107,736,000	56.1	68,619,000	35.7
1901 .....	196,488,000	105,329,000	53.6	72,382,000	38.8
1902 .....	211,640,000	117,320,000	55.4	71,198,000	33.6
1903 .....	225,850,000	131,202,000	58.1	71,784,000	31.8
1904 .....	213,521,000	117,591,000	55.1	72,773,000	34.1
1905 .....	203,316,000	101,959,000	50.2	77,404,000	38.1
1906 .....	256,587,000	133,095,000	51.9	97,807,000	38.1

<sup>1</sup>From Tables of the Trade and Navigation of the Dominion of Canada.



It appears from the foregoing table that the mother country is the best customer of Canada and the United States the next best, the percentages in 1906 being respectively fifty-two and thirty-eight. The table indicates, too, that not since the early seventies has the United States been as extensive a purchaser of Canadian goods as the United Kingdom. This, perhaps, will be a surprise to many persons who have supposed that this country constitutes Canada's largest market.

It is more interesting and significant, however, to consider the imports for consumption into Canada for the same years as above given, with special reference to the United States and the United Kingdom. These figures are given in the following table from Canadian sources:<sup>2</sup>

YEARS.	Total imports for consumption.	IMPORTS FOR CONSUMPTION FROM UNITED KINGDOM.		IMPORTS FOR CONSUMPTION FROM UNITED STATES.	
		Total value.	Per cent.	Total value.	Per cent.
1868.....	\$71,985,000	\$36,664,000	50.9	\$26,315,000	36.6
1870.....	71,238,000	38,595,000	54.2	24,728,000	34.7
1873.....	127,515,000	68,523,000	53.7	47,736,000	37.4
1875.....	119,619,000	60,347,000	50.5	50,806,000	42.5
1880.....	71,782,000	34,461,000	48.0	29,347,000	40.9
1885.....	102,710,000	41,407,000	40.3	47,151,000	45.9
1890.....	112,766,000	43,390,000	38.5	52,292,000	46.4
1895.....	105,253,000	31,132,000	29.6	54,635,000	51.9
1897.....	111,294,000	29,412,000	26.1	61,649,000	55.9
1900.....	180,804,000	44,790,000	24.7	109,844,000	60.7
1901.....	181,238,000	43,018,000	23.7	110,485,000	60.9
1902.....	202,792,000	49,206,000	24.3	120,815,000	59.6
1903.....	233,791,000	58,897,000	25.2	137,605,000	58.9
1904.....	251,464,000	61,778,000	24.6	150,827,000	60.1
1905.....	261,926,000	60,343,000	23.0	162,739,000	62.1
1906.....	290,361,000	69,195,000	23.8	175,862,000	60.6

Here we see that the conditions are precisely reversed in comparison with the statistics of exports from Canada, for the share of the imports from the United Kingdom has steadily declined from 50.9 per cent of the total in 1868 to 23.8 per cent in 1906, while the share of the imports from the United States has increased from 36.6 per cent to 60.6 per cent. These results are remarkable when it is remembered that the relative loss of the mother country and corresponding gain of the United States have been apparently in

<sup>2</sup> From Tables of the Trade and Navigation of the Dominion of Canada.

defiance of the preferential tariff treatment enjoyed since 1897, in varying degrees, by numerous classes of British products at the expense of the like products of American origin. The inference drawn by many persons from this state of affairs is that the pro-British tariff of Canada has been ineffectual. I am not prepared to accept this conclusion, but am strongly of the belief that the preferentials in favor of the goods of the mother country have actually exerted, especially since 1900, an important, although indeterminable, influence. In other words, I am of opinion that since British manufactures enjoyed a rebate of one-third the regular duties, the Canadian tariff has exerted a restrictive effect upon the normal growth of American export trade to that country, so that our share might have been in 1906 perhaps 75 per cent, instead of 61 per cent, if the trade of the United States had not suffered this differential treatment in competition with British industries.

But be this as it may, the table shows that Canada makes the bulk of her foreign purchases in the American market, notwithstanding the preferentials and the colonial or imperial sentiment. Commenting upon this state of affairs, the editor of the *London Financial Times* recently remarked that what has evidently been accomplished by the preferential tariff is a checking of the decline in British exports to Canada which set in between the years 1892 and 1895, and in this respect, he thought, it has performed a service to British manufacturers. While this is undoubtedly true, some share of the credit for arresting the decline mentioned is due to British exporters who have awakened in recent years to the necessity of energetic efforts in order to maintain their hold on the Canadian market. I quote the following extract from the editorial referred to:

The geographical position of Canada, it is obvious, is a severe handicap to British manufacturers and a corresponding advantage to United States merchants. There is also what, perhaps, is too often overlooked here—the immense advantage given to the states by the approximation of social and economic conditions in the two countries. To so great an extent is this the fact that the manufacturers of the states can regard the Dominion as being in many of its requirements merely an extension of the home market and as not needing specialized lines or methods of production such as our manufacturers would in many cases have to undertake before they could hope to compete on equal terms. The big point in our own favor consists in the fact that we are Canada's principal customer, with the result that there is always

a large tonnage moving eastward and providing comparatively low freights for return business. Then we have the preferential tariff and that wider preference in good will which arises from our political connection and our ties of blood.

While the preferential tariff is a most important factor in building up trade between the Dominion and the United Kingdom, it is not difficult to account for the steady increase of imports from the United States. All our consular officers stationed in Canada agree that American goods are held in high favor as respects quality. In a recent report Consul Van Sant, of Kingston, says that in the long run, notwithstanding the keenest competition and sentiment, the natural advantages in geographical position and common commercial interests and tastes seem to count favorably, and the importation of manufactures from the United States continues to lead. In order to hold this position, he cautions the American exporter to watch the situation and to meet every new wave of industrial competition by extending fair trade inducements to Canadian merchants who buy abroad. Consul Van Sant also makes the gratifying announcement that there are no complaints against American packing methods in his district, and that the usually admitted superiority of American goods and their quick transit across the border, along with the low average of breakage and damage, have aided largely in bringing about the leading trade position enjoyed by the United States. It would seem that these considerations explain the apparent failure of the preferential tariff to accomplish what its framers claimed for it.

In several important lines of manufactured goods the United States enjoys in the Canadian market an apparently securely entrenched position notwithstanding differential tariff treatment in competition with the industries of the mother country. It may be of interest to note a few of these industries in which the United States is strongest and the United Kingdom weakest. Such are agricultural implements and machines, tools and hand or machine implements, portable machines and parts, locomotives, railway cars, copper manufactures, electrical apparatus, and iron and steel manufactures. In some of these classes of Canadian imports the share of the United States is as high as 90 or 95 per cent, thus giving a virtual monopoly. This position is likely to be maintained indefinitely, excepting in so far as modified by the growth of domestic

manufactures, including the Canadianized American plants, to which I shall presently refer.

On the other hand, the classes of manufactures in which our British rivals have been aided materially by the preferentials include the miscellaneous metal trades, hardware, cutlery, jewelry, etc.; textiles; waterproof clothing; leather goods; steam engines and boilers; some kinds of iron and steel, particularly pig iron; and earthenware. In all these lines the gain of Great Britain seems to have been at the expense of the United States. Still other British industries that have been benefited by the preference are hats, caps, and bonnets; drugs, dyes, and chemicals; china and porcelain; and cement, although in these classes the trade of the United States has kept pace with the increase in the Canadian demand and has generally increased more rapidly. At any rate, the classes of manufactured goods that I have enumerated in this paragraph are those in respect of which we have good cause to apprehend increasingly keen competition from the mother country as a direct result of the heavy tariff preference.

The following interesting tables, showing the general course of Canadian trade from 1884 to 1905, were compiled by the Canadian Tariff Commission in 1907. While some of the percentages are slightly different from those I have given above, the discrepancies are due simply to taking total imports in one case and total imports of merchandise for consumption in the other:

TABLE A.—IMPORTS INTO CANADA: PERCENTAGE DERIVED FROM DIFFERENT SOURCES.

<i>Origin.</i>	<i>1884.</i>	<i>1894.</i>	<i>1904.</i>	<i>1905.</i>
United Kingdom .....	40.1	34.2	24.6	23.6
The rest of the empire.....	3.1	2.5	4.4	5.1
Total imports from British Empire...	43.2	36.7	29.0	28.7
United States .....	46.7	46.9	60.0	60.7
Other foreign countries.....	10.1	16.4	11.0	10.6
Total from foreign countries.....	56.8	63.3	71.0	71.3

According to the above table the imports into Canada from the mother country fell from 40.1 per cent in 1884 to 23.6 per cent in

1905, while those from the United States rose from 46.7 per cent to 60.7 per cent in the same period.

TABLE B.—EXPORTS FROM CANADA: PERCENTAGE TO VARIOUS DESTINATIONS.

<i>Destination.</i>	<i>1884.</i>	<i>1894.</i>	<i>1904.</i>	<i>1905.</i>
United Kingdom .....	46.9	58.5	55.4	50.6
The rest of the empire.....	4.8	5.0	5.7	5.9
Total exports to British Empire.....	51.7	63.5	61.1	56.5
United States .....	43.0	31.6	33.7	37.4
Other foreign countries.....	5.3	4.9	5.2	6.1
Total to foreign countries.....	48.3	36.5	38.9	43.5

It appears from the foregoing table that the exports from Canada to the mother country rose from 46.9 per cent in 1884 to 50.6 per cent in 1905, while, in the same period, those to the United States declined from 43 per cent to 37.4 per cent. It should be borne in mind, of course, that this is simply a statement of respective shares expressed in percentages, for Canadian exports to the United States have, as we have seen, increased to a formidable figure. What the table does show, however, is that the mother country was buying more, relatively, and the United States less, relatively, in 1905 than in 1884 in the Canadian market. On the principle of natural reciprocity in trade—that a nation should buy where it would sell—the percentages of the Tariff Commission seem to me to point a certain moral and to be pregnant with meaning, the trend of the second table (B) foreshadowing a different story for the first table (A), when they shall be recast a few years hence.

The statistics that I have presented show, I think conclusively, that the pro-British tariff has failed to accomplish the divergence in international trade which its founders and advocates anticipated; but it would be unwise to minimize its importance, for the time may come when tariff differentials against American goods of  $33\frac{1}{3}$  per cent, or even 25 per cent, will suffice to ruin our export trade to the Dominion. There is no partisanship in the proposition that the continuance of our industrial prosperity is essential to the continuance and progress of our foreign trade. If the present halcyon period were to be succeeded by one of depression and stagnation,



all experience indicates that foreign tariff restrictions against American products that are now, on the impulse of the waves of prosperity, overridden without much difficulty, would become stone-wall obstacles. It therefore should be a matter of general concern to understand precisely the character of the Canadian tariff system.

Prior to 1897 Canada, like the majority of countries and colonies, employed the single tariff system. In that year the Parliament of the Dominion adopted a double tariff, consisting of the regular tariff and the preferential tariff in favor of the mother country and reciprocating colonies. During the first year the reduction allowed as preference was only  $12\frac{1}{2}$  per cent; but by the terms of the original law (May 13, 1897) this was increased in 1898 to 25 per cent. It remained at that figure until July 1, 1900, when, by an order previously made in council, it was increased to  $33\frac{1}{3}$  per cent, and this continued to be the uniform reduction in duties on imports from the United Kingdom and reciprocating colonies (mostly in the West Indies) until the triple tariff of 1907 went into effect. While the Canadian tariff during the period 1897 to 1907 was virtually a double tariff, like the maximum and minimum tariff of France, it was a single tariff in form, with a single schedule of duties applicable to all foreign countries alike, the provision for preferential treatment within the British Empire being a separate feature of the law.

The apparent ineffectiveness of the British preferentials was the principal reason for the revision of the tariff in 1907 on an entirely new plan, which bids fair to have far-reaching results. In preparation for the revision a tariff commission collected a mass of evidence in 1906 in the different industrial centers, both in the Dominion and in England, as regards the effect of the then existing uniform preference of  $33\frac{1}{3}$  per cent and the needs and wishes of the business interests concerned. As adopted by the Canadian Parliament, the new tariff consists of three schedules of duties on the same articles published in parallel columns, thus making the system a unique triple tariff. These columns are headed respectively "British Preferential Tariff," "Intermediate Tariff," and "General Tariff."

The rates of the "General Tariff," applicable to the United States, are not radically different from those of the old tariff. The average ad valorem rate of duty collected in 1906 on total dutiable imports from the United States was 24.8 per cent, and on total

free and dutiable imports 13.1 per cent, thus showing a moderate tariff of the protective class.

Considerable change was made in the British preferential tariff. Instead of the former flat rebate of  $33\frac{1}{3}$  per cent, fixed duties, mostly specific, were provided, some representing a higher preference than one-third and others a less. The preference was increased, speaking generally, on iron and steel and their manufactures, glass and glassware, earthenware and china, silk manufactures, and paper manufactures. It was made lower on cotton manufactures, woolen goods; flax, hemp, and jute manufactures; drugs, dyes, and chemicals, and leather and its manufactures. It was estimated by the tariff commission that of the total dutiable imports (measured by valuation) from the mother country the preference was increased on 28 per cent and diminished on 72 per cent. It is also to be remembered that the preference will be materially diminished to the extent that the intermediate tariff shall be put into effect. It will presently be affected by the new Franco-Canadian reciprocity treaty.

The most interesting feature of the new law to the United States, however, is the intermediate tariff, standing in a column between the British preferentials and the general tariff, with rates for the most part from  $2\frac{1}{2}$  to 5 per cent lower than the general rates. This tariff is to be brought into operation by Canadian order in council after negotiation with foreign countries which "give Canada favorable conditions," or with British colonies other than the reciprocating colonies which enjoy the preferentials.

Mr. Fielding, in outlining the intermediate tariff, made the following significant statement in Parliament:

All we do then by adopting this intermediate tariff is to hold it up to countries abroad and say: This is something which you may obtain if you desire by entering into negotiations with Canada; you may obtain the whole tariff for equal compensation or you may obtain a part of that tariff for compensation. You may obtain it from day to day by reciprocal legislation, or you may obtain it by a treaty brought about through the diplomatic channels. We do not therefore bring this middle tariff into operation at once, but we put it before the world as a statement of the terms and conditions upon which we are willing to negotiate with other countries, and in order that we may induce them to give us better terms and take from us a larger share of the products of Canada.

It has been the general impression that the intermediate tariff is an invitation extended mainly to the United States. France, how-

ever, has been the first country to profit by it. A reciprocity convention between Canada and France was signed at Paris on September 19, 1907, whereby Canada granted to France the benefits of the intermediate tariff on a long list of French products, including practically everything in which that country is interested, and in return, France conceded to Canada her minimum tariff duties on a large number of Canadian products. This treaty has been approved by the Canadian Parliament and is now awaiting ratification by the French Senate, having been already approved by the French Chamber of Deputies. When it goes into effect in Canada it is obvious that it will have a double influence, namely, it will impair *pro tanto* the value of the British preference on competitive goods and it will increase the differentiation against the United States until the latter shall obtain the same treatment.

Inasmuch as the United States cannot hope to obtain the benefit of the preferential tariff, which, of course, is restricted to the mother country and reciprocating colonies, all our interest centers in the possibilities of the intermediate tariff. By the provisions of the reciprocity convention above mentioned, France secures the rates of the intermediate tariff on no less than ninety-seven articles or classes of articles, almost exclusively manufactured goods. Here are some of them: canned meats; florist stock and trees; canned corn; canned fruit; all kinds of nuts; canned fish; confectionery; photographs, paintings and drawings; toilet preparations; printing and writing ink; tableware of china, porcelain, white granite or ironstone; cement; window glass; glassware in general; manufactures of lead, copper, brass, aluminum, gold, and silver, not otherwise provided for; clocks and watches and their movements; locomotives and motor cars; automobiles and motor vehicles; manufactures of iron, steel, or wood, n. o. p.; house and office furniture; dress goods, cotton threads; carpets and rugs of cocoa, straw, hemp, or jute; braids, fringes; handkerchiefs and corsets; velveteens and plush fabrics; musical instruments and talking machines; leathers; boots and shoes; trunks and valises; toys; gloves and brushes.

The treaty also contains a schedule of twelve classes of French goods enjoying the benefit of special duties. These include wines, books, drugs and medicines, laces and embroideries, silks, ribbons, and velvets.

But there are many other articles in the intermediate tariff not

provided for in the French treaty and yet possessing no little importance to our own trade, for the tariff consists of 711 numbers, including goods that are free in all three columns. For example, the item of typewriters does not occur in the French treaty, and yet the United States is interested therein. The duties are: preferential,  $17\frac{1}{2}$  per cent ad valorem; intermediate,  $22\frac{1}{2}$  per cent, and general, 25 per cent. It is the same with cornmeal; printing presses; agricultural machinery; stoves; wagons and carriages; bicycles and tricycles; and many other products of American ingenuity and skill. France has not obtained the reduced duties upon them because she is not concerned in their exportation to Canada; but the case is different when the trade relations between the United States and Canada are considered.

In this connection we are hardly concerned, except incidentally, with the equally serious question to the United States presented by the increased differentiation against American exports in the French market as a result of the Franco-Canadian treaty. Speaking of the concession by France to Canada of the minimum duties on agricultural machinery, Consul General Mason, of Paris, says in a recent report:

The difference between maximum and minimum French duties on agricultural machinery figures out, as has been stated in a previous report, to \$3.86 on a mower, \$4.82 on a reaper, \$8.20 on a binder, and \$1.93 on a hay-rake. This disparity of import duties is sufficient, in addition to the high cost of steel, wood, and labor in the United States, to put the importers in France of American harvesting machinery at a disadvantage that will imperil their present splendid trade as soon as Germany, Great Britain, and henceforth Canada, can develop their production so as to cover the French market. Already the Canadian manufacturers are preparing to improve the larger opportunity that will be offered here, and it is reported that a harvesting machinery plant in Canada, which belongs to the American syndicate, will be enlarged and worked to its highest capacity for the export trade to France. The pending situation, if indefinitely prolonged, may result in transferring largely to Canadian territory this and several other industries which have been built up and have their native home in the United States.

To this testimony it is pertinent to add that of Consul General Bradley, of Montreal, who reports that a special commissioner, sent over by the British Board of Trade to find means of extending the trade with England, states that 122 of the leading manufacturing firms of the United States have operating branches in Canada, and declares that in Montreal alone \$25,000,000 to \$75,000,000 American

capital is invested. The complicating effect upon our trade relations of an "American invasion" of this kind needs no comment.

When discussing the question of our commercial relations with Canada, one instinctively thinks of reciprocal tariff arrangements. In carrying out the policy of commercial reciprocity the object of the United States has always been to protect its export interests in foreign markets, granting no more in return for the concessions thus secured than is consistent with the principle of adequate protection of domestic industries. No more appropriate field for the inauguration of this policy could be suggested than the Dominion of Canada, for reasons which I mentioned at the beginning of this article. These considerations, indeed, actuated the two governments in concluding the Marcy-Elgin treaty of 1854, which went into effect in 1855 and remained operative until March 17, 1866, when it was terminated in consequence of notice on the part of the United States in accordance with congressional direction. That treaty established a certain measure of free trade between the contracting parties, inasmuch as it exempted from duties some twenty-eight classes of natural products when imported into either country from the other. The action of Congress in directing the termination of the treaty was quite generally approved by the people of the United States, although the mercantile interests engaged in the Canadian trade were, as a rule, in favor of its extension or at least renewal in revised form.

Repeated efforts to secure another reciprocity arrangement for the regulation of our commercial relations with Canada have been made, without result, since 1866, notably in 1869, 1874, 1892, and 1898-99. The overtures came, I believe in each instance, from Canada. The Joint High Commission of 1898-99 had made substantial progress toward an agreement on the subject of commercial reciprocity, which was only one of a dozen topics under consideration, when the sessions came to an abrupt termination as the result of a disagreement respecting the settlement of the Alaskan boundary dispute. There is every reason to believe that a satisfactory treaty of reciprocity could have been arranged had the Canadian commissioners been willing to conclude independently of the Alaskan boundary. The responsibility, therefore, for the absence of a reciprocity arrangement between the two countries does not, in my opinion, rest with the United States.



## NOTES ON OUR TARIFF RELATIONS WITH MEXICO

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BY HON. FRANCIS B. LOOMIS,  
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It may not be wholly unprofitable from the viewpoint of the practical legislator or of the practical man of affairs to attempt to consider in a special or individual way our tariff relations with Mexico at the present moment. It may also properly be observed in this connection that until we set our own house in order and are able to secure an adequate revision of our own tariff laws we cannot, under existing conditions of uncertainty with respect to such proposed modifications of our revenue system, do more than suggest for discussion certain articles which may be considered as a basis for some sort of reciprocal tariff arrangement between the government of the United States and that of Mexico.

Owing to the proximity of Mexico and to the very considerable commercial transactions between the two countries, and owing to the large number of embarrassing and irritating questions that arise by reason of our large and frequent intercourse with our neighbor, it may be suggested that it would be the part of wisdom for the administration at Washington to make persistent effort first with our own Congress, then with the Mexican government for the purpose of ultimately bringing about an agreement looking to the establishment of a rate of duty on articles imported from Europe which shall not greatly vary in the two countries either as to the amount to be collected on a given article or as to the manner of collection.

If something in the nature of a uniform rate of duty on articles of similar character and value imported from Europe could be agreed upon by Canada, the United States and Mexico, a great forward step in the solution of our tariff problem and difficulties would have been taken and we would be in a position to assert with confidence that we had advanced prodigiously toward the establishment of reciprocal tariff relations with our two neighbors, which relations might easily come to be a prelude to an agreement on the part of the three governments, of the United States, Canada and

Mexico, for the adoption of a system of what would virtually be continental free trade in North America. This is, of course, a dream of the future, but it is a dream that is not impossible of realization and is, therefore, a fit subject for discussion.

There are a number of articles which, it occurs to one, could well be made a subject of a mutually advantageous reciprocal agreement with Mexico, if we had ample legal authority to enable the President to negotiate such an instrument. If the executive had a free hand and was not limited for "trading purposes" to a few articles specified in the Dingley law, much solid good could be accomplished, by way of increasing our opportunities for foreign trade and improving our tariff relations with foreign countries.

In the first place we might, with profit both to Mexico and to the United States, come to a satisfactory understanding respecting the rate of duty to be levied on laces, jewelry and diamonds imported into the respective countries. In this country the duty is high on these articles; in Mexico it is so low as to furnish a perpetual incentive to organized smuggling operations at many points on our frontier. We are compelled to employ a large number of revenue officials and special agents in our attempt to suppress this illegal traffic; and our efforts are by no means always successful. This is a condition which ought not to exist. Mexico needs income from customs duties for revenue purposes just as we do. It is not in the case of the jewelry, laces and diamonds a question of the protection of home industries, but rather of collecting some of the revenue necessary to the support of the government by a tax on luxuries which are not at all essential to the comfort and well being of the greater mass of people. There seems to be no sound or sufficient reason why the two countries could not collect substantially the same duties on articles of luxury imported from Europe. I cite this case merely to illustrate the achievement along this line of work which would be possible if Congress would authorize proper legislation.

There are several articles manufactured in the United States on which Mexico levies high duties which might very well be admitted free, or almost free, of duty, and the admission of which in this way would work no ill to any real industry in Mexico. Mexico might enter into negotiations concerning such articles which would result not in any loss to her revenues, but which, on the other hand, might bring to her some concessions of value from us. The paper

industry is a case in point. Mexico manufactures an insignificant quantity of paper. The protective tariff on papers and articles made from paper is so high as to exclude many of our products in which paper in various forms largely enters. This paper schedule ought to be made the subject of serious discussion between the representatives of the two countries, and extensive modifications ought to be worked out which would be of advantage to manufacturers in the United States and to the consumer in Mexico and to the receipts of that country from customs revenues.

The fuel supply of Mexico is a matter of great concern, yet the Mexican tariff on coal and some other fuels is so high that certain of our fuel products are excluded, notwithstanding the fact that Mexican oil is consumed locally only in very limited measure.

One of the chief and distinctive of our industries is the making of furniture. Mexico imposes, what seems to many of our manufacturers, excessively high duty on American furniture. The consequence is that the American styles of furniture are imitated, and very inferior articles, I am told, are put on the market and sold under the guise of furniture of American manufacture. There seems to be no valid reason, except that our tariff law does not permit it, why the market for American furniture of a better class could not be very greatly augmented by means of a proper tariff bargain between the two countries.

I think it may be stated almost in an authoritative way that the Mexican Government would be glad to make fair and even liberal concessions on certain of the articles the export of which to our neighbor we wish to increase, in return for a modification of our tariff rates on lumber and cattle.

Mexico has a large quantity of lumber which it is desired to send into this country. If there be one widely used necessity which the people of this country are paying a very high price for it is lumber. If Mexico could send her lumber in at a nominal rate of duty the whole population of the United States would be benefited save perhaps the few people who are owners of large forests. I suppose no one will have the courage to suggest that lumber is an infant industry which needs fostering. Mexico offers us lumber and wants it to enter this country free if possible. In return for this suggested concession we may be sure Mexico will give us liberal treatment.

The Mexicans are also interested in cattle raising and selling. They would like to send cattle into this country free of duty. At present Mexican cattle pay a duty of about \$3.75 per head—if this duty could be remitted or abolished the consumer in the United States ought to reap some of the benefit, and as the price of beef seems to be climbing upward rather steadily even this small measure of relief would be welcome to the millions who have butchers' bills to pay.

I make mention of cattle and lumber because of what I know personally of the wishes of the Mexican Government in respect to them leads me to believe that a highly satisfactory reciprocity treaty could be negotiated with Mexico with very slight difficulty, if the tariff law were a favorable one for this purpose.

The following memorandum on the subject of "Tariff on American Pianos in Mexico" has been received from one of the important manufacturers in this country:

"Acting under instructions, received from the president of this company, we beg to state, the tariff on pianos of all kinds into Mexico being 55 cents per kilo, the importer pays on American pianos a duty ranging from \$59 to \$122, United States currency, according to weight, American upright pianos weighing from 215 to 375 kilos net and American grand pianos from 280 to 444 kilos net.

"Mexican importers complain that they are obliged to pay greater duty on American pianos on account of their greater weight. The lower grade of pianos of the European manufacturers especially are of very light construction, and are so constructed to get the benefit of lower freight rates and lower import duty.

"While we are in a position to compete with European makers as far as quality and price is concerned, we cannot reduce the weight of our pianos without possible injury to quality and construction, or not to an extent to equalize, and therefore would welcome a reduction in tariff which would offset the advantage which European makers now have."

I am informed by Mr. Gottschalk, one of our highly efficient consular officers, who has recently been stationed in Mexico, that it is quite probable that concessions could be obtained from the Mexican government if we were authorized to negotiate for them, which would result in making a valuable market in that country

for American irrigation, mining and agricultural machines. Mexico has real need of these articles in carrying out her scheme of material development, just as she will feel increasing need for materials used in the construction of buildings, docks, railways, reservoirs and other public works. The market for automobiles of American manufacture might easily be made more valuable in Mexico if the subject were to be considered by the two governments with a view of making it part of a reciprocity arrangement. There are a number of other articles produced in this country which I could mention and which might properly be included to our advantage and that of Mexico in a reciprocity treaty between the two countries. But I have set forth, I think, a sufficient number of cases to prove that our export trade with Mexico can be very substantially and steadily improved and our national wealth materially increased if Congress would authorize negotiations of proper reciprocity arrangements or give to us a maximum and minimum tariff system which shall provide in a way the basis for legitimate trading in tariff concessions between the United States and all foreign governments.



## WASTE IN EXTERNAL TRADE IN GENERAL AND WITH THE ORIENT IN PARTICULAR

BY JOHN P. YOUNG,

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Something over a half a century ago a noted English economist called attention to the possibility of a relatively early exhaustion of the world's supply of coal. His warning, however, was treated with neglect when it was not pooh-poohed by half-baked geologists, who endeavored to demonstrate that the measures of mineral fuel were practically inexhaustible. It is not extraordinary that the suggestion should have been coldly received, for at the time he wrote the minds of men had been turned topsy turvy by the preposterous and since discredited doctrines of the Manchester school, which elevated trade above production and assumed that the wasteful process of unnecessarily moving things to and fro would benefit mankind.

Ten years ago the writer attempted to revive or create an interest in the neglected subject of conservation by taking the ground that the chief benefit conferred by a resort to a protective tariff was not that upon which most stress was laid, but rather its tendency to conserve resources which when once dissipated cannot be replaced, and for which no substitutes can be found that we may hope will even remotely approach the cheapness of those we are now deliberately wasting.

The concluding sentences of an extended discussion of the subject epitomized the view of the writer which the passage of time is constantly strengthening. They ran: "Cobdenism has this inherent defect, that it considers the exchange of commodities as more important than their production. The aim of protection is to promote production and to avoid waste, therefore it is the economic policy that must endure."

I see no reason for modifying the opinion elaborated throughout the discussion, that external trade is a source of tremendous waste, and that many illusions we have respecting the benefits of transportation will have to be dismissed if we desire to promote a rational economy which will tend to conserve the world's resources.

If general neglect had caused me to question the soundness of the views expressed in several chapters devoted to illustrating waste in transportation, recent events would have confirmed them. Almost imperceptibly there has grown up within the past few years a body of opinion which amply supports the theory advanced that unnecessary external trade is uneconomic.

When President Roosevelt called the governors of the various states of the Union to confer with him and other thoughtful men concerning the desirability of adopting measures to conserve the natural resources, the wisdom of such a course was promptly acknowledged. It is doubtful, however, whether some of those who have been most strenuous in demanding conservation have given much thought to the accomplishment of that result.

The arbitrary setting aside of large tracts of land now covered with timber is a step in the right direction, and the tentative efforts of the government to retain such mineral fuel deposits as have not been appropriated by private individuals is another. But they are very short steps and do not go to the root of the problem, whose proper solution does not demand the prevention of use, but imperatively calls for the elimination of wastefulness.

It must be obvious to the dullest understanding that no real remedy is effected by arbitrarily depriving the present generation of adequate supplies of timber or mineral fuel. There is no good reason why we of the twentieth century should deny ourselves so that those of the twenty-first may have plenty. In the case of our forests it may be necessary in order to insure the continued fertility of the land to see that it is not denuded of vegetation, but it is preposterous to claim that our obligation to posterity demands that we should place obstacles in the way of the utilization of ripe timber. It would be equally absurd to lock up and prevent the appropriation for present uses of iron ores, coal and fuel oil.

But while we may not morally nor economically be obligated to practice self-denial in the use of natural resources when their utilization is in response to real needs of the present, there is absolutely no excuse for wasting them, and sound public policy demands that the industrial system of a country, and, so far as may be practicable, that of the whole world, shall be so shaped that waste will be reduced to a minimum.

Especially is this demanded in dealing with our deposits of iron

and mineral fuel, which may be regarded as practically irreplaceable. It is conceivable that energetic measures might restore the fertility of a country by reforestation, but no one has suggested that the iron ore, the coal and the petroleum once removed from the bowels of the earth and consumed by man can be replaced.

Visionaries see in the utilization of the world's water courses a source of energy which may prove a substitute for that generated by coal and oil fuel, but it is ominous that concurrent with the development of electric energy the consumption of coal and oil proceeds at an accelerated pace. Thus far the use of electricity has made no impression upon the demand for mineral fuels, whose output increases at an enormous rate and out of all proportion to the growth of population.

We must dismiss as unworthy of consideration the speculations of those who believe and predict that when our supplies of iron and mineral fuel are exhausted substitutes will be discovered for them. As a practical people we must deal with the problem as it presents itself at present, and not put trust in the vagaries of those who assume that the future will take care of itself.

As a matter of fact, the problem is essentially one of the present. It is not a question of how posterity will be affected by the wasting of the earth's natural resources; it is an impending question, as is evidenced by the fact that despite the tremendously increased output of coal and iron they are becoming dearer and must continue to do so until practical methods of abating the demand for them can be found.

Some of those in attendance at the White House conference, notably Andrew Carnegie, evidently perceived that this is the case. Mr. Carnegie instanced the substitution of cement for steel in the construction of bridges; but thus far diligent study of the papers read or printed fails to disclose any suggestion that we may be artificially creating uses for iron and fuel which a resort to rational ideas and practices would render unnecessary.

There is little room for doubt that the modern theory that indiscriminate trading is a benefit to mankind is responsible for a tremendous amount of wastefulness. It has created the condition of mind which we are now laboriously striving to supplant. It has caused "economists" to regard as praiseworthy the rapid dissipation of natural resources. There is scarcely a writer of note who, in the

discussion of economic resources, does not assume that large outputs of irreplaceable resources are beneficial, without once asking whether they fill a real need or whether their temporary present abundance may not cause a dearth in the near future.

Take Great Britain as an example. The economic history of that country is the story of an eager effort to exhaust its irreplaceable deposits of iron and coal. For nearly a century it has been vigorously exploiting its coal and iron mines and exchanging their products for articles of luxury and foodstuffs. Professional economists have applauded her course, first finding in the rapid growth of population proof of the soundness of the forcing out policy and afterward, when the pressure for subsistence became a problem, justifying its continuance on the ground of necessity.

During all this period the British have been continuously exporting coal and iron to countries infinitely better provided with resources of that character than Great Britain. In 1907 the exports of coal, coke and manufactured fuel from the United Kingdom amounted to 66,063,258 tons, and an additional quantity of 18,618,828 tons was shipped as bunker coal for the use of steamships chiefly engaged in the work of helping the British to get rid of their fuel resources. In addition to this direct exportation of mineral fuel a large part of the remaining 183,000,000 tons retained for domestic consumption was consumed in creating energy for factories whose products are often shipped to countries nearer the supplies of raw material and with ampler fuel resources than Great Britain.

Despite the optimistic view of the professional economists and the absurd calculations of the geologists, the fruits of this suicidal course are already exhibiting themselves in the increasing price of coal and a corresponding increase in the cost of manufacturing in the United Kingdom. Even while the defenders of the wasteful system of presently profiting by the inconsiderate use of coal are arguing that the measures of the kingdom will last for hundreds of years, governments are compelled to recognize the menace of increasing prices and reluctantly consent to taxation measures designed to lessen exportation.

As in the case of coal, no regard has been paid by the British to the danger involved in the encroachment upon their store of iron ores. The assumption has been that when they were exhausted it would be possible to obtain supplies from other lands. This has

been done for several years, until now a large proportion of all the iron and steel manufactured in the United Kingdom is produced from ores derived from Spain and other countries. The consequences are visible in the increasing difficulty experienced by the British in maintaining their position in the industry. The troubles that now confront them, however, will seem insignificant when the time comes, as it surely will, when nations shall attempt to conserve their resources by following the example set by Great Britain when she placed an export duty on coal.

It ought not to need much argument to demonstrate that it is uneconomic to pursue such a course as that outlined in the preceding comment. Even if Great Britain could implicitly depend on unfailing supplies of coal and iron from other countries when her own measures are exhausted, or can no longer be profitably worked, it must be obvious that it is wasteful to export, in one form or another, perhaps 100,000,000 tons of coal annually, if at some future time she will be compelled to import coal from other parts of the world.

But we need not go abroad for awful examples. We are beginning to find them at our own door. If this were not the case we should not hear of conferences being called to consider the conservation of the natural resources. If the tremendous and constantly increasing consumption of coal and iron in the United States was not causing alarm, we should not have been afforded an exhibition of wise men in council studying and suggesting methods of preventing wastefulness.

It is doubtful, however, whether these conferences will accomplish more than to direct attention to the subject, for those who attend them persist in approaching the matter from the standpoint of economists, who think the prosperity of a nation is dependent on the multiplication of middlemen, and whose teachings inevitably tend to create the impression that trade is of more importance than production. This state of mind is reflected in the importance attached to transportation facilities, and the refusal to consider that a vast quantity of the hauling to and fro which is constantly in progress is positively wasteful.

When the benefits of facile transportation are abstractly considered the claims made for it seem to be warranted, but when we turn our attention to what is being done by shrewd men, such as



those who administer the affairs of the Standard Oil Company, we speedily discover that when unregulated its tendency is toward wastefulness. The organization referred to finds it expedient to prohibit the shipping of its products from points other than those nearest the seat of consumption. It forbids patrons in Missouri selling to consumers in Ohio oils produced in Pennsylvania. The establishment of zones of this sort is undoubtedly in restraint of trade, but it unquestionably prevents waste, for obviously it is wasteful to ship oils from Pennsylvania to St. Louis and then reship them eastward to points hundreds of miles nearer to the field of production.

It may seem radical to propose that government should deal with an economic problem just as sagacious business men would, and it is not likely that such a proposition will be acted upon until necessity enforces such action. But the time will come, sooner or later, and much sooner than most of us expect, when a complete reversal of the present uneconomic policy, which is fostered by the provision of the federal constitution, that forbids the collection of export duties, will be demanded by the nation.

To urge such a probability at a time when an insistent demand for a revision of the tariff comes from a quarter which has hitherto enjoyed the benefits of the protective system may seem absurd to some, but it is infinitely more absurd to hold conferences to study means of conserving the natural resources and almost in the same breath clamorously demand the adoption of a policy which must inevitably result in their depletion by wasteful methods.

The demand for revision, which has the support of a large section of the manufacturing interests of the country, is largely based on the supposition that it will increase our markets abroad. The same elements which favor the conclusion of reciprocity treaties demand revision, and their objective is the extension of our foreign markets. In every instance of which we have knowledge the treaties made for reciprocal trading, when they result in its increase, have been at the expense of true economy. Their invariable effect is to cause waste in transportation and to stimulate still further the effort to get rid of the natural resources.

Entertaining these views, I am impelled to urge that in considering "our tariff relations with the Orient, actual and desirable," the subject should be approached not from the standpoint of the manu-

facturer, who pertinaciously demands the right to profit at the expense of the nation by getting rid of its irreplaceable resources as rapidly as possible, but from that of the man who takes some thought of the future and who realizes that nations, no more than the foolish virgins of the Scriptures, who wastefully consumed their oil, can escape the penalty of such folly.

When the literature on the subject of the extension of our trade with the Orient is examined the discovery is made that the optimists base their opinion of its future greatness on our ability to supply the Orientals with manufactured articles, into whose production the raw materials whose rapid consumption is causing alarm will enter in large quantities. Only the uninformed imagine the possibility of our becoming exporters on a considerable scale to Eastern countries of the products of the soil. The thrift of the Asiatic and our own future necessities make such an assumption seem irrational.

In the event of an Asiatic development on the scale which some predict, and many believe probable, the demand from Western countries will be chiefly for manufactured articles. In the nature of things it cannot continue for a long period, for if the movement toward the adoption of the habits of the West becomes a dominant factor in the development of Eastern Asia, it will result in the creation of formidable competitors, as the Asiatics, in spite of their backwardness, are a very capable people as the recent progress of Japan conclusively demonstrates.

The probabilities favor the belief that the Oriental nations in their awakening, and while they are building themselves up, will make immense demands upon our irreplaceable resources. Some idea of the extent of the demand may be gained from the statement made that the United States Steel Corporation is negotiating with Russia one of the largest steel-rail contracts ever made. If the contract is concluded, the corporation will supply over a million tons of steel rails for retracking the Siberian road. It is not unlikely that China may make even larger demands upon our resources.

No one will dispute that the immediate result of an extension of trade with the Orient on these lines will prove profitable to the nation. It cannot fail to stimulate national prosperity, by giving employment to large numbers of workers, who in turn contribute to the general welfare by expending their earnings. But if there is any foundation for the assumption that we are encroaching upon

our irreplaceable resources; if the recent White House conference was not an unnecessary bit of pessimism, then the prosperity which is thus purchased will be of the same sort a dissipated heir enjoys while getting rid of his inheritance without attempting to do anything to replenish his coffers.

It therefore becomes incumbent on statesmen to inquire how much reason there is for believing that our resources are being impaired, and if the conclusion of the conferees at the White House that "the forests which regulate our rivers, support our industries and promote the fertility and productiveness of the soil should be preserved and perpetuated, and that the minerals found so abundantly beneath the surface should be so used as to prolong their utility," is sound, then it is their duty to shape the laws so that these purposes may be accomplished, even if the result is to completely upset the theories of the economists who teach that mankind is benefited by wasteful methods.

In an article such as this it would be impossible to present the evidence that demonstrates the soundness of the assumption that the natural resources are rapidly being dissipated, nor is it necessary to do so, as the papers read by the conferees at the White House are easily accessible. It is sufficient to quote Carnegie's undisputed statement, that our processes of mining and our methods of consuming coal are wasteful, and that our supply of iron ore, at the present rate of consumption, will not last one hundred years.

In 1881 the output of coal in the United States was 85,881,039 short tons; in 1907 it had increased to 488,800,000 tons. The increase in a single year, from 1906 to 1907, was over 90,000,000 tons. A quarter of a century ago the prediction that our output would increase fivefold in twenty-six years would have been deemed preposterous. The assumption that the next twenty-six years will witness a like increase must appear equally incredible, yet failure to keep the pace means an interruption to what we have hitherto considered commercial progress.

The Birkinbine engineering offices of Philadelphia recently issued a chart illustrating the expansion of the pig-iron industry of the United States between 1890 and 1907, which developed the interesting facts that the product had increased from 327 pounds per capita in the first-named year to 675 pounds in 1907, or 106 per cent, and that the price, despite the enormousness of the output, had

greatly increased, both absolutely and relatively, as measured by the currency in circulation. A leading journal, commenting on this presentation, remarked: "The chart shows the phenomenal growth and the great commercial value of our iron industry," and it doubtless voiced the opinion of men of affairs throughout the land; and the judgment would probably be the same if the quantity produced were 60,000,000 or 100,000,000 tons annually, instead of the 27,000,000 tons reached in 1907.

From the standpoint of the economist who deals wholly with the present, the enormously increased output of coal and pig iron must be regarded as beneficial. When a people are able to annually consume 675 pounds per capita of a useful metal like iron, they are apparently in better case than they were when their consumption was less than one-half that quantity. But the benefit is of the most transitory character and more apparent than real. If the output of iron and coal could be indefinitely increased, the benefit would be indisputable, but as they are both limited in quantity and practically irreplaceable, their injudicious use can only be compared with that of a lot of shipwrecked mariners who prodigally consume their store of provisions while adrift on a raft in midocean.

The analogy is complete. So far as the use of iron and coal is concerned, we are proceeding even more insanely than mariners who would improvidently consume their store of provisions when menaced by the possibility of rescue being long deferred, for we have adopted a commercial policy which economists extol, of getting rid of our irreplaceable commodities by selling them to foreigners who, under proper stimulus, could provide themselves from their own stock. To extend the simile of the shipwrecked mariners, our action resembles the inconceivable folly which an insane sailor on the raft would display if he threw part of his bread to the fishes and thus deliberately increased the chance of starvation.

If there is any doubt on this point it will be speedily resolved by studying the import of a demand made upon the Interstate Commerce Commission at one of its recent sittings, where it was shown by the representative of the Harriman lines that unless the transcontinental railroads were permitted to charge a lesser rate for freight dispatched over their lines to the Orient than that exacted from shippers of domestic goods they would not be able to compete with the Suez route, as nearly all the goods shipped to Eastern

Asia via the transcontinental railroads and steamships sailing from Pacific ports of the United States came from the territory east of Chicago and close to the Eastern seaboard.

A large part of our Oriental business is made up of manufactures of iron. The probability of securing a million-ton contract to supply the Siberian railroad with rails of American manufacture has already been noted, and the tables of exports show that we are now shipping large quantities of rails, wire nails, machinery and other iron products to Asiatic countries. We are also exporting considerable quantities of raw cotton by direct and circuitous routes to Eastern Asia.

It is not necessary to state with exactness the extent of the trade already developed. It is, however, of considerable consequence and is a serious factor in the inroads made upon our natural resources, especially those of iron and coal, and incidentally of timber. But if it were insignificant at present, we have to consider the fact that the avowed purpose of the advocates of a revision of the tariff as it relates to Oriental countries is to stimulate to the utmost our export trade to them by the dubious device of admitting their products to this country at lower rates of duty than are exacted at present.

It would be a work of supererogation to point out that a policy of "forcing out" such as that outlined in the proposals of the tariff revisionists to stimulate exports of iron and coal to Asiatic countries is in the highest degree inconsistent with the demand for the conservation of the natural resources of the country. Such a course may temporarily promote prosperity, but the inevitable result will be to hamper future commercial progress by making iron, coal and timber dearer and less accessible to the domestic consumer. The remarks of the author of "Made in Germany," in commenting on the draft made upon the coal measures of the United Kingdom, are applicable to us: "Every ton of coal extracted from our coal fields," he said, "implies a permanent loss of wealth to that amount. The coal doesn't grow again. . . . When you send it away to the foreigner to feed his factories, which destroy or injure your factories and take in return from him foodstuffs, . . . you are letting your land deteriorate."

It is impossible to dispute this; the conclusions of the conservation conference are in perfect accord with the deduction, yet the



disposition exists (and it will probably prevail) to disregard the consequences by continuing the fatuous policy of getting rid of our resources as rapidly as fancied immediate commercial needs demand. In the future, as in the past, the only concern of statesmen will be the present. Any proposition which suggests an impairment of the facilities for converting the natural resources of the country into immediate profit will receive scant courtesy from those who legislate for us and will be derided by the classes whose ideas of national prosperity are bounded by consideration for the immediate present.

I say this in full consciousness of the earnestness of the advocates of conservation, and the apparent progress made by the movement for the protection of the forests and the preservation of the mineral lands still in the possession of the government. The success of the latter is wholly dependent upon the fact that individual interests are not directly involved. The policy of conservation would have achieved success had it been inaugurated three-quarters of a century ago; but now that the major part of the country's forests have disappeared, and nearly all the valuable mineral lands are in the hands of private persons, the almost insuperable difficulty attending regulation when individualism has thoroughly established itself, as it has in the United States, will prove a constant obstacle to consistent efforts to conserve.

Before the world can achieve real economies through conservation, it will be absolutely necessary to destroy the impression that all trade is beneficial to mankind. We shall have to learn to distinguish between that which is economical and that which tends to waste. Protection should have developed this knowledge, but it has failed to do so because its advocates have not clearly perceived that its paramount function was the elimination of waste by bringing consumer and producer as closely together as possible.

There has always been a confusion in the protectionist mind on this latter point, and it is responsible for the vagaries of the advocates of reciprocal trade, whose estimates of the national prosperity are based on the figures of exports and imports, and who have become blinded to the fact that the increasing volume of the latter may indicate growing wastefulness and therefore not productive of a prosperity whose genuineness is evidenced by the permanence of its results.

No rational economist, when the matter is squarely presented

to him, will dare to assert that the prosperity of to-day, which will inevitably produce scarcity in the near future, is desirable. To maintain such a position he would have to defend the practices of nomadic savages, with whom life is a feast or a famine. It would seem, then, that every effort and every teaching should be directed to shaping our industrial and commercial energies, so that the elimination of waste shall be the first consideration of statesmen. In short, we should live up to the theories which found expression in the conservation conference.

We can do so in our dealings with the Orient if we frame our tariff schedules with a view to discouraging rather than to encourage the importation from Asiatic countries of products which we may produce ourselves. If we bring ourselves to realize clearly that the forcing out of our irreplaceable products, which results from the feverish desire to exchange them for things which we do not need, or which we could produce ourselves, will invite disastrous consequences in the near future, we shall approach the subject of conservation in the right frame of mind. If, for instance, the generality could or would grasp the fact that the direct or indirect exchange of millions of tons of coal and iron for the products of Asiatic silkworms spells dearer coal and iron not many years hence, the uneconomic character of this branch of Oriental trade would be conceded, and it is typical of the major part of our trade with Asia, and for that matter of most international exchanges.

I am aware that advocacy of a reasonable restriction of trade will be met with the *reductio ad absurdum*. Some one will say: "Why not carry out the theory in this country and stop waste by restricting wasteful trading between the peoples of the various political sub-divisions." The answer is simple enough. In the case of a man who is impairing his health by intemperate eating and drinking, a judicious doctor will warn him to put some restraint on his appetite, but he would hardly make the blunder of advising him to wholly cease eating.

It is plainly apparent that the very things which a consensus of opinion credits with being the great sources of modern prosperity—iron and coal are limited in quantity. Visionaries tell us that when they are all gone the world will find something to take their place. But economists have no right to assume anything of the kind. It is their business to deal with the known resources,

and if they can, to point out how they can be conserved. Something in that direction can be accomplished by a resort to a tariff based wholly on the idea of making the best use of what we have so that there may be something left for the future. We must get rid of the absurd notion that we are benefiting by burning our candle at both ends. We will have to divest ourselves of our pride in a railroad system which consumes millions upon millions of tons of iron and coal annually, and ask ourselves how much of the work it performs represents absolute waste and how much genuine service.

Such an inquiry will have to go a step further than the suggestion embodied in Andrew Carnegie's presentation of the fact that "moving 1,000 tons of freight by rail requires an eighty-ton locomotive and twenty-five twenty-ton steel cars (each of forty-ton capacity), or 580 tons of iron and steel, with an average of, say, ten miles of double track (with ninety-pound rails), or 317 tons additional, so that, including switches, frogs, fish plates, spikes and other incidentals, the carriage requires an equal use of metal," whereas "the same freight may be moved by water by means of 100 to 250 tons of metal, so that the substitution of water carriage for railway carriage would reduce the consumption of iron by three-fourths to seven-eighths in this department, reducing at the same time the consumption of coal for motive power from 50 to 75 per cent, with a corresponding reduction in the coal required for smelting." If we are really in earnest in the matter of conservation we shall endeavor to learn how much of the 21,653,795,696 tons of freight moved one mile in 1906 by the 55,439 locomotives and the nearly 2,000,000 freight, baggage and express cars operated on American railroads was uselessly hauled, and take steps, not merely to reduce the waste by substituting water carriage, but to eliminate it wholly, if possible, by dispensing with unnecessary hauling wherever practicable.

Water carriage is unquestionably cheapest when available, and the fact that we have deliberately neglected our waterways is overwhelming evidence of our prodigality in more ways than one. But those who lay too much stress on the desirability of substituting that method of transportation for the more costly movement of freight by rail are apt to close their eyes to the wasteful features of the former. Ten years ago the writer called attention to a peculiarity of British external trade, by instancing that in 1896 the

exports of coal from the United Kingdom constituted 84.7 per cent of the quantitative volume of the export business of that country during the year named. Or, as the British author from whom the information was derived put it: "Coal enters into practically the whole of our exports and probably forms the cargo of over 50 per cent of the tonnage cleared from the United Kingdom." Since 1896 the exports of coal from the United Kingdom have increased from 44,200,000 tons to 66,063,258, and the bunker coal in 1897 reached 18,618,828 tons.

There is no attempt to dispute the assertion that the exportation of British coal is causing a steady rise of the price of that commodity in Great Britain, nor that the recent export tax on coal was advocated on the ground of conservation, but the British are afraid to look the situation squarely in the face. They have created a condition for themselves which they feel admits of no mending except by a resort to heroic methods, that would involve a sacrifice on the part of the present generation which it is not ready to make. The United States and other new countries, however, are in better case. It is not imperatively demanded of us that we shall exchange our irreplaceable iron and coal and our timber resources for foodstuffs produced by other peoples. We can easily feed and clothe our population, and in accomplishing that result, by bringing consumer and producer closer together, we shall automatically eliminate the waste which ensues when energy and resources are uselessly expended.

While under the hallucination that the world becomes richer by wasting its energies in useless transportation, we listen to the plans of those who foolishly imagine that their country and mankind can be benefited by getting rid of natural resources which cannot be replaced. In the category of such advocates must be placed those who imagine that the exportation of vast quantities of iron and the products of iron to Asiatic countries will contribute to American prosperity. It may temporarily produce that result, but the inevitable outcome of the policy will be future deprivation. We cannot eat our cake and save it at the same time.

The views here expressed may just now seem extreme, and the natural inference from them that the most practicable way of conserving resources is through trade regulations will prove repugnant to the vast number of people who believe absolute freedom of trade

is a promoter of prosperity. The units composing the trading world are now imbued with the idea that the destruction which is profitable to the individual is not only justifiable but beneficial to mankind. The individual owner of forest lands is ready to profit by their denudation, and does not ask what the consequences will be to other than himself. But a state of the public mind is rapidly being created which will not shrink from placing restraints on the owners of timber lands, and this will soon be followed by a like imposition on the owner of iron mines and coal measures. A step in that direction which will not seriously impinge upon the individualistic theory will be the enactment of tariff laws which will have the effect of discouraging exports that involve waste of the natural resources of the country and future scarcity and consequent dearness.



## OUR TARIFF RELATIONS WITH THE PHILIPPINES, ACTUAL AND DESIRABLE

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At present our tariff on imports from the Philippine Islands is governed by section 2 of the Act of March 8, 1902, entitled "An act temporarily to provide revenue for the Philippine Islands, and for other purposes." Briefly this provides that on all articles coming into the United States from the Philippine Archipelago the rates of duty shall be those paid on like articles imported from foreign countries, with the proviso that on such articles, the growth and product of the Philippine Archipelago, there shall be collected but 75 per centum of the aforesaid rates.

On articles imported into the Philippine Islands from the United States there is imposed the same rate of duty as upon the same articles from foreign countries.

Article 4 of the treaty of Paris, between the United States and Spain, provides that:

The United States will, for the term of ten years from the date of the exchange of the ratifications of the present treaty, admit Spanish ships and merchandise to the ports of the Philippine Islands on the same terms as ships and merchandise of the United States.

Ratifications were exchanged at Washington on April 11, 1899. Under the terms of this treaty Spanish goods were entitled to the same treatment on importation into the Philippine Islands as American goods, and for obvious reasons this same treatment was extended to the goods of all foreign countries. Thus the American exporter has received no preferential treatment in the Philippine market other than the very slight advantage which may have been given him by the description of articles under the various schedules of the Philippine tariff. Where articles could be so described as to benefit the American exporter it has been done.

Reverting to the 25 per cent reduction of duty granted to articles produced in the Philippine Islands, on importation into the

United States, it may be stated that this reduction has been of no advantage whatever in increasing our trade with the Philippine Islands. The principal articles exported from the Philippine Islands, with the exception of sugar and tobacco, are on the free list, and would, therefore, receive no advantage from this reduction. There is, because of non-use of the Philippine tobacco in the United States, no demand therefor, and the 25 per cent reduction has not been sufficient to warrant experiments as to its introduction. In the matter of sugar the 25 per cent reduction has likewise been insufficient to attract Philippine sugar in any material quantity to our markets. The amount heretofore imported, omitting speculative shipments during one year, is negligible. It may be added that the speculation was unfortunate.

Briefly, the tariff laws, both of the United States and the Philippine Islands, are such as not to specially encourage trade between the United States and its Far Eastern possessions. The Philippine Islands are to the American exporter a foreign market. He must compete therein on equal terms with the various European and Eastern exporters. On the other hand, the United States tariff is such as to offer no inducements to the Philippine producer.

With the exception of Manila hemp (abacá), which has been attracted to the United States in increasing quantities by legislation which provides for the return of the export duty, in the case of hemp coming directly from the Philippine Islands, for use and consumption in the United States,<sup>1</sup> we receive now no more of the products of the Philippine Islands than we did in 1902 on the establishment of civil government in those islands. On the other hand, we export to the Philippine Islands no more goods now than we did at that time.

On April 11, 1909, the ten-year period, during which we have granted to Spanish merchandise the same treatment in the Philippine Islands as extended to our own, will expire. This will remove one of the obstacles to such legislation as we deem wise in our efforts to create more favorable trade relations with our Eastern possessions.

That we can very materially increase our exports to those islands does not admit of question. Seven years ago legislation was enacted providing for the free admission of American goods into

<sup>1</sup>Paragraph 406, section 13, Act of March 3, 1905.

Porto Rico, and, reciprocally, providing for the free admission of Porto Rican goods into the United States. These provisions have resulted in increasing the external commerce of Porto Rico from \$18,000,000 to \$50,000,000 per year, and practically 90 per cent of its imports come from the United States.

During the same period the external commerce of the Philippine Islands has been practically at a standstill, and to-day less than 20 per cent of its imports come from the United States.

In so far as trade with our Far Eastern possessions is concerned, the effort to amend the United States and Philippine tariffs has in view two principal objects; the first, to make the Philippine Islands a part of the United States home market, and the second, by providing a better market for the raw products of the Philippine Islands, to increase the purchasing power of the islands, thus increasing to the United States exporter the value of the market.

Comparison with results obtained in Porto Rico leads to the conclusion that if American goods are admitted free of duty into the Philippine Islands, instead of furnishing 20 per cent of the goods imported into those islands, the United States will furnish more than 80 per cent, and if Philippine products are admitted free into the United States, the imports into the islands will be at least \$100,000,000 a year, instead of \$33,000,000, as at present.

Specifically, what is desired by those urging closer trade relations with the Philippine Islands is the free admission into the Philippine Islands of imports from the United States, and the free admission into the United States of all articles the growth and product of the Philippine Islands.

The objections to this, in addition to the one resulting from the treaty of Paris, referred to above, and which will be removed on April 11, 1909, have been: First, at the time of the enactment of the Philippine tariff the islands were without suitable laws governing internal taxes. The receipts of the custom house were absolutely essential to the maintenance of a government in the islands, and it was felt that the free admission of goods from the United States would reduce the customs receipts of the islands below the minimum demanded by the conditions then existing; second, the fear fostered by representatives of sugar and tobacco industries that the free admission of sugar and tobacco from the Philippine Islands would injure those industries in the United States. The claim was

not that the present production was sufficient to work injury, but that, under the stimulus of the United States market, the production would be greatly increased; third, the claim put forward by certain so-called "Anti-Imperialists" that closer trade relations with the Philippine Islands would render it more difficult to grant the political separation which they advocated.

These objections have briefly been met as follows: We have now in the Philippine Islands suitable laws governing internal taxation, and the income from that source is such that the government could be satisfactorily administered even with the loss which would result to the customs revenues from the admission free of duty of imports from the United States.

The second objection, while it is believed to be groundless, has been met by a proposition to limit the amount of sugar and tobacco which shall be admitted free of duty into the United States in any year to an amount which would notoriously not affect in any way those interests in the United States.

The third objection has never been urged by any considerable number, and has been satisfactorily met from the first by the simple fact that whatever may be our future political relations with the Philippine Islands, it is desirable that we should have and hold as large a share in the trade of those islands as possible. Nor is the arrangement which it is proposed to bring about one which we would not desire even though those islands were politically separate from the United States.

It does not require a very deep study of this subject to show that the proposed legislation is not wholly to the advantage of the Filipino. As a result thereof the United States adds to its home market 8,000,000 people, and by extending to these people a market in turn for their products—products which in large part compete with no article of American production—it but increases their purchasing power and makes the market acquired more valuable. The enactment of this legislation does not call for charity, but, as has well been said, for "enlightened selfishness."

## THE CONVENTIONAL TARIFF SYSTEM

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### *The Origin of the Present Tariff System in Germany*

The German tariff system at present in vogue may be said to date from 1891, when Germany concluded a number of reciprocity treaties with neighboring countries. While it cannot be said that reciprocity treaties among nations, based upon mutual concessions in the matter of customs duties, were unknown before that date, yet the fact remains that the present German system marks a distinct departure in the tariff policies of European nations, which are adopting it in growing numbers.

Other nations, including our own, had negotiated reciprocity treaties from time to time; but, taking the United States as an illustration, they were mostly sporadic, like our treaty with Canada in 1855, or with Hawaii in 1875. They were more in the nature of an extraneous graft upon our tariff tree, than an organic part of it. The fact does not seem to be realized generally that it is not the treaties that supplement the German tariff, but, on the contrary, the tariff as daily applied to German imports from foreign countries is largely made up of the rates fixed by those treaties. True, France preceded Germany in the adoption of a system of reciprocal treaties, but this was the outgrowth of a policy of Napoleon III, who, largely for political reasons, aimed at removing existing tariff barriers in the international trade of France, his treaties having for their object and effect the adoption of what came to be very near free trade. No sooner had it become clear, however, that continental Europe had definitely turned its back upon free trade than the French resolved to return to autonomous tariff legislation.

It was at this point that Germany stepped into the shoes of her Western neighbor, but in adopting what was apparently the same system the Germans made it serve a new purpose: the regulation of the tariff with a two-fold object in view, protection to home industries and the lowering of tariff barriers to domestic products in foreign markets.



Briefly told,<sup>1</sup> the history of the adoption of the present tariff policy by Germany is as follows: After a brief interval of free trade, which the German empire inherited from the Zollverein in 1871, a protective tariff was adopted in 1879 in response to the demands of the manufacturing element, especially the iron and textile industries, which were hard pressed by English competition. Under this tariff German industries took a new lease of life, and in a decade reached such proportions as to completely overreach the capacity of the home markets for absorbing their output. As most of the European countries had in the meantime adopted protective tariffs, Germany's foreign trade was greatly hampered. It was felt to be necessary to secure in those countries a reduction of duties upon the products which Germany exported. It was realized, of course, that the only basis for negotiations with foreign nations looking to that end lay in mutual concessions or reductions of duty. The same interests that were instrumental in bringing about the adoption of the protective tariff in 1879 were now most active in demanding the adoption of reciprocity treaties. The protective tariff having accomplished the object for which it was intended, to enable the German industries to get on their feet, these industries now felt able to meet foreign competition at home. They were, therefore, willing to forego the advantage of continued protection at home if, in return for the advantages surrendered, they could obtain greater facilities for entering foreign markets.

The imperial government, accordingly, entered into negotiations with foreign nations, resulting in the conclusion of reciprocity treaties for a period of twelve years with seven countries: Russia, Austria-Hungary, Italy, Switzerland, Belgium, Roumania and Servia. The negotiations were conducted on the basis of the then existing tariff of 1879, which was thus greatly reduced as a result of the treaties. The new reduced tariff, made up of the rates of duty agreed upon in the seven treaties or *conventions*, came to be known as the *conventional* tariff, while the old tariff of 1879, which still remained on the statute books, was called "general" or "autonomous." The application of the conventional tariff was not confined to the seven nations with which treaties had been concluded.

<sup>1</sup>For a more complete account of the history of the adoption of the German tariff, the reader is referred to articles by the present author in the *North American Review*, March and September, 1905, and the *Review of Reviews*, December, 1905. See also Percy Ashley, *Modern Tariff History*.

It was extended to imports from all countries with which Germany had most-favored-nation treaties, and as these comprised practically all the nations with which Germany carried on commerce of any importance, the autonomous tariff of 1879 remained simply on paper except for those rates which were not affected by any of the seven treaties.

The experience of Germany under the conventional tariff was so satisfactory that before the twelve-year period for which the treaties had been concluded had expired, in December, 1903, it was resolved to continue the operation of that system. In the meantime, however, great economic changes had taken place. The quarter of a century which lay between 1879, when the autonomous tariff was adopted, and 1904, when the conventional tariff was to terminate, witnessed the great decline of the agricultural and more than proportional development of the manufacturing industries in the scale of relative importance in the empire. In 1879 the Agrarian party was an ardent advocate of free trade, because Germany depended on foreign markets as an outlet for its excess of cereals and other farm products, while at the same time the agricultural population had to depend on British and French sources for its supply of cheap agricultural implements and other articles of personal use. By 1900 the situation had undergone a radical change. Not only had Germany ceased to be an exporter of cereals, but, owing to competition of the United States, Argentina and Russia were obliged to become importers of grain. The owners of large German estates found it impossible to compete with the cheap agricultural products, not only grain, but cattle and meats, raised on virgin soil with but a slight expenditure of human labor. The cry of protection now came loudest from the agrarian camp, which also evinced great hostility to reciprocity treaties. In any event the demand was made for a revision of the tariff for the purpose of not only greatly raising the duties on agricultural products, but also of making the increased protection safe from encroachment through the conclusion of new treaties.

On the other hand, the manufacturers were for the most part satisfied with the existing duties and were even willing to go to the extent of still further reductions if, by so doing, they could secure reductions in the tariffs of foreign countries. Both sides agreed as to the necessity of a thorough revision of the tariff before the

expiration of the reciprocity treaties; the agrarians, because they wanted increased protection, the manufacturers and exporters, because they desired more scientific and up-to-date classification of commodities.

In pursuance of this practically unanimous wish, the government undertook the preparation of a draft of a tariff bill, which consumed five years of labor on the part of a special commission of thirty-two representatives of the agrarian, manufacturing and commercial interests, acting in co-operation with the tariff experts of the treasury and other government departments, in addition to 2,000 trade and technical experts, who were consulted by the commission from time to time. The tariff bill which resulted from these labors was introduced in the Reichstag by the government early in 1902, and after about ten months' deliberation, passed, with some changes, on December 25, 1902. It contained but one set of duties, with the exception of rye, wheat, barley and oats, for which both general and minimum rates were provided to prevent further reductions through reciprocity treaties.

The government immediately took up negotiations with foreign countries for new reciprocity treaties, which proved more difficult than had been anticipated. As the treaties could not all be concluded before the end of the year 1903, when the old treaties were to expire, the latter were by mutual consent allowed to remain in force for more than two additional years. On February 22, 1905, the Reichstag ratified the seven treaties concluded with the nations which had maintained reciprocal tariff agreements with Germany since 1891, and the country was given a year's time to prepare for the new conventional tariff, the inauguration of which was set for March 1, 1906. The new treaties were likewise concluded for a period of twelve years, so that the present tariff of Germany cannot be materially changed before January 1, 1918, and is likely to remain in force somewhat longer. In addition to the seven nations mentioned, commercial treaties or agreements have been concluded with Sweden, Bulgaria, Greece and the United States, and negotiations with other countries are also pending.

#### *Is the Conventional Tariff System Desirable?*

The answer to that question is determined by the end for which the tariff of a country is intended. The conventional tariff system,

as at present in vogue, is the result of a natural evolution that accompanied the growth of modern industry on a large scale with its resultant expansion of international commerce. As long as the productive capacity of a nation does not exceed the consumptive capacity of its own people there is no need for a conventional tariff. Such a nation will either find it necessary to adopt an autonomous protective tariff, if competition from foreign countries should interfere with the development of its own industry, or a moderate tariff for revenue purposes only, if it has no industries to develop (*e. g.*, Turkey), or is strong enough not to fear foreign competition (*e. g.*, Great Britain). In any of these cases one tariff consisting of a single set of duties applicable alike to all foreign nations is all that will be adopted. As soon, however, as the principal industries of a country assume proportions in which the national boundaries cease to be a bulwark of protection and turn into a hindrance to the free outflow of their products to the world's markets, the single tariff ceases to satisfy the needs of the hour. The answer, therefore, is plain that a nation reaching the stage of industrial and commercial development such as characterizes the present condition of the United States must, in the interests of the very industries which have been built up with the aid of a protective tariff, take steps to bring about a removal of the obstacles which in the form of excessive duties or other restrictive legislation interfere with the circulation of its products in foreign markets. But a most cursory survey of the international field reveals the fact that similar conditions prevail in many of the countries to which we wish to gain more ready access for ourselves, and that the only way this can be done is by way of mutual concessions.

This explains why the movement for reciprocity which calls for tariff reduction is led by manufacturers not only in this but in all countries where similar conditions prevail.

*Is the Conventional Tariff System Practicable?*

But granting the desirability of a tariff system which lends itself to the double purpose of securing necessary protection at home as well as opening the doors of foreign markets, the question arises as to whether the conventional tariff system is practicable. Here we must leave the ground of speculative reasoning and take up the question in its national aspects, viewing it from the stand-

point of concrete facts and economic and political conditions which go to make up our body politic.

There can be no question that the conventional tariff system in the hands of Germany has proved to be very efficacious and has enabled that country to achieve the ends for which it was designed. Nor can there be any doubt that Germany has fared far better with her conventional system, than France with her general and minimum tariffs. The experience of these two leaders among the nations of the European continent, as well as that of their respective followers, has led to the gradual abandonment of the general and minimum tariff system and the adoption of the conventional tariff system practically all over Europe with the exception of France and Spain, disregarding certain deviations from either system by some minor countries like Norway and Greece. But whether it could likewise prove to be best adapted to conditions prevailing in the United States depends on whether the factors which determine its success in those countries are also present in the United States.

It is impossible to speak of the advantages or disadvantages of the conventional tariff system without comparing it with the French or general and minimum tariff system, since under a dual tariff system one is the alternative of the other.

A brief description of the salient features of each will, therefore, be in place. In the conventional system there are two tariffs, a general (or autonomous) and a conventional. The former, as the name implies, is adopted by the legislative body, and is applied to the products of every nation which has no treaty or agreement to the contrary. The conventional tariff is made up of the reduced rates granted to any of the foreign nations with which reciprocity treaties or conventions have been concluded. It is a composite tariff, since each nation bargains for reductions on those articles only in which it is primarily interested, *e. g.*, in the treaties concluded by Germany, Russia naturally secured concessions mainly on agricultural products; Austria-Hungary was interested both in agricultural and in certain manufactured articles; Switzerland secured reductions of rates on embroideries, laces, certain textiles, wines, cheeses, etc.; Italy, on wines, silk, velvet, etc.; Belgium, on iron and steel products, lace, etc. The combined reductions made up the conventional tariff; in all cases where the reductions on a certain article granted to one nation exceeded the reduction on the same article



granted to another, the lowest rate granted to one was extended, under the operation of the most-favored-nation clause, to every nation which had either a reciprocity treaty with Germany or a general treaty securing to it most-favored-nation treatment.

In the French system, consisting of general and minimum duties,<sup>2</sup> both tariffs are adopted by the legislature, the minimum being applied to foreign nations either as a result of special treaties or agreements to that effect, or under the operation of the most-favored-nation principle. Under this system the concessions to be granted by France are determined by Parliament in advance.

The chief advantages of the conventional system over the general and minimum were discussed by the writer in the article on the "Double Tariff System," published in *THE ANNALS* for May, 1907. They may be briefly summarized here to preserve continuity of argument. They are as follows:

1. *Strategic.* Only one set of duties having been adopted, this tariff serves as a basis for negotiations without disclosing in advance to the other side the extent to which the first nation is willing to make concessions.

2. *Elasticity.* Representatives of two countries having but one tariff each as a basis of reciprocity and with power to make and accept concessions which in their judgment seem fair and reciprocal, have a better chance to come to an agreement than in the case when their hands are tied with a rigid dual tariff, which prescribes for each commodity the minimum rate below which they cannot go by way of concession, no matter what advantage the other side may be willing to offer in return.

3. *Stability.* The conventional tariff, as has been pointed out, consists of rates agreed upon and fixed by reciprocity treaties drawn for a number of years, the period in most of the treaties between Germany and other countries being a minimum of twelve years, after which the treaties automatically remain in force, unless abrogated by either of the parties. During the time the treaties remain in force the rates stipulated therein cannot be raised without the consent of the other party. Under the French system the treaties merely provide for the application of the minimum tariff without

<sup>2</sup>The French system is generally, though erroneously, called "maximum and minimum" in this country. While the lower rates are actually minimum, the higher are by no means maximum, since the law authorizes the government to raise the general rates in case of a tariff war with a foreign country.

fixing the rates of duty under that tariff. The government is thus free to raise the rates at any time during the life of the treaty so long as the other party to the treaty is not required to pay a higher rate than any other nation. The advocates of the French system see in this a great advantage, as it leaves the country free to revise its tariff rates whenever such course may seem advisable in its own interests. The adherents of the conventional system, on the other hand, believe that stability is of far greater value to the business community than freedom to change rates of duty at will. They argue that a business man with tariff rates definitely fixed for several years to come at home and in the foreign countries with which he is doing business, will feel less hesitation in making large outlays of capital for manufacturing plants and permanent improvements, than he would if he knew that his calculations for a profitable investment could be upset any day by changes in the tariff at home or abroad. Moreover, an increase of the minimum rates by one country having reciprocity treaties with other countries would be apt to be followed by similar action on the part of the latter in retaliation. The knowledge of this possibility would be likely to exert a restraining influence upon the country wishing to make such changes, and thus the freedom of action may prove to be more apparent than real.

As a practical corroboration of these arguments the experience of Germany and France is pointed out. France has been obliged to resort to tariff wars in a number of instances on account of the rigidity of her tariff system, and in the end was forced to yield on the vital point in her policy—the autonomous regulation of her rates, by reducing some of her duties below the minimum fixed by Parliament. Germany, on the contrary, has been uniformly successful.<sup>3</sup> Other countries had similar experience, and, therefore, found it more advantageous to adopt the German policy.

But, *comparaison n'est pas raison*, as the French say, and we cannot trust to analogy for a conclusive answer to our question. It is not so much the intrinsic merits of either system that determine its successful working as the conditions under which they are respectively applied. A knowledge of the politico-economic

<sup>3</sup>Germany, too, has had tariff wars with Russia and Spain; but in each case this was due, again, to the rigidity of the general and minimum tariff systems of the latter countries, and Russia, taught by the experience, has since abandoned the French system for the German.

apparatus which enables Germany to use the conventional tariff system with such telling effect is no less essential in forming one's judgment as to the merits of the conventional tariff system, than a familiarity with the system itself.

To begin with, Germany has a strong central government, whose control over legislation, and especially in initiating legislation, is practically as great as that of our standing committees in Congress. The government controls the appointment of the semi-official commission of representatives of the industrial, agricultural and commercial interests, which holds hearings and in other ways gathers information on which the tariff schedules are based. The tariff bill itself is drawn up by the government experts in the various executive departments, and is introduced in the Reichstag by the government at the time and under conditions which may seem most propitious from the government's point of view. While the tariff goes through these preparatory stages, the tariff and statistical experts in the government departments of the Treasury, Commerce and Foreign Affairs keep in close touch with the work of the semi-official commission as well as with the committees in the Reichstag. Their intimate knowledge not only of the needs of German commerce, but also of the strategic points in the commercial relations between Germany and the principal competing nations is continually drawn upon by the legislators. The tariff schedules are drawn up with infinite care; there is minute classification of commodities to prevent the inadvertent application of reduced rates which may be granted later by Germany to some foreign nation on a certain article, to another article imported from a third country through lack of sufficient differentiation between commodities in tariff classification.

After the tariff has been passed by the Reichstag the government appoints a commission, consisting of the department experts who have had most to do with the shaping of the tariff bill and who are best informed on the subjects to be dealt with in tariff negotiations with foreign countries. In the tariff negotiations with the United States which led to the adoption of the commercial agreement now in force, Germany was represented by ten experts from the following departments: the commercial, political and consular divisions of the Foreign Office, the Department of Commerce in the Imperial Ministry of the Interior; the Imperial Treasury Depart-

ment; the Prussian Ministry of Finance; Prussian Ministry of Agriculture; Prussian Ministry of Commerce. Most of the members of such commissions are picked men, generally economists and statisticians, whose regular duties consist in the study of the facts underlying the negotiations of tariff treaties. The personnel of the commissions, and their preparation for the treaty negotiations are matters planned well in advance, usually a matter of years of careful work.

In shaping the general or autonomous tariff the rates are purposely made higher than is thought actually necessary for purely protective purposes, with a view to their subsequent reduction in return for concessions from foreign countries. The extent to which they will be reduced is never indicated by the government in the course of the debates on the tariff in the Reichstag. That is a matter to be determined later by another body so far as it can be determined in advance of negotiations.

After the Reichstag has enacted the tariff, there is a second unofficial, yet none the less authoritative, parliament which takes up the work where the Reichstag has left it. It is the semi-official commission of thirty-two representatives of the agricultural, manufacturing and commercial interests to which reference has been made before. In preparation for the negotiation of commercial treaties the commission holds hearings behind closed doors, at which the representatives of different industries present their wishes, their needs at home, their grievances abroad; it formulates definite resolutions as to the extent to which concessions of rates at home are to be made and as to the minimum concessions that are to be accepted from the other side. When the treaty is finally negotiated on the lines laid down by this secret, semi-official business parliament, its opinion must be heard before the treaty is submitted to the Reichstag for ratification.

Such a procedure is not only absent, but could not be thought of in the United States. We might improve our equipment by strengthening the personnel of some of our government departments, by perfecting our methods of tariff-making in Congress, by closer co-ordination of the work done in the legislative, executive and business spheres. But we neither could nor would introduce certain fundamental changes which would be in conflict with the spirit of our democratic institutions.

Tariff revision in the United States is always preceded by considerable agitation and public discussion. Public opinion is crystallized and the members of Congress are expected to act in accordance with the wishes of their constituents. This would be practically impossible if we were to adopt the German or conventional tariff system, since under that system Congress would have to adopt only one set of duties, necessarily higher than those thought desirable, so as to leave ample margin for concessions in negotiating commercial treaties. The responsibility of the members of Congress to their constituents would thus be done away with, and the voters would be deprived of whatever direct control they may exercise now over tariff legislation. These objections would not apply to the general and minimum tariff system. To make this perfectly clear, let us illustrate the working of the two systems under American institutions by a concrete example. Let us assume for the sake of argument that the people of the United States had come to the conclusion that the interests of the country as a whole could best be served by a removal of the present duty on pig iron and that they elected a majority of the members of Congress pledged to that measure. If the United States adopted the French system of a general and minimum tariff, Congress would put pig iron on the free list under the minimum tariff and might retain the present duty on that article in the general tariff, or fix the general duty at some other rate. In the negotiations that would later ensue with foreign countries, the representatives of the United States would be at liberty to concede the free admission of pig iron, the one thing left to their discretion being the extent of the reciprocal concession to be accepted from the foreign country.

Under the German plan, Congress would adopt but one tariff and would have the alternative of either providing a duty on pig iron, trusting to the executive to remove that duty in the form of a concession to a foreign country, or of putting it on the free list in deference to the wishes of the people. In the latter case the end of the conventional tariff system would be defeated, as we would have no concession to offer to foreign countries in return for desired tariff reductions on our products in foreign markets. In the former case, however, it might easily happen that the will of the country would be disregarded, as its carrying out would be left to the doubtful exigencies of diplomatic negotiations.



Negotiations of a tariff treaty being in the nature of a bargain, it is natural for either side to assume the attitude of aiming to yield as little as possible and to obtain as much as it can. It might easily happen that, as a result of "successful" bargaining on the part of the delegates of the United States, only a partial reduction of duty on pig iron would be agreed upon, and the will of the majority of the people would be thus defeated by their own representatives—members of Congress and diplomatic delegates—each loyally trying to serve the best interests of the country.

In Germany and in some of the other European countries such a thing is less likely to happen, because they have managed to provide an extra-constitutional parliament, if it may be so called, which takes up the tariff where the Reichstag leaves it. By confining the Reichstag to the enactment of the general tariff only and leaving the control over the ultimate shaping of the conventional tariff to the Tariff Commission, the Germans have managed to secure all the advantages of the two dual tariff systems without incurring the disadvantages of either. The foreign nations with whom treaties are negotiated are left in the dark until the last moment as to the length Germany is ready to go in making concessions, so the strategic advantage of keeping one's cards to himself is retained to the end. At the same time the control of the people over the minimum rates, which is the chief advantage of the French system, is secured in Germany through the Tariff Commission, which consists of the representatives of all the economic interests of the country, save labor, whose interests, however, as producers are in that instance coincident with those of the manufacturers and as consumers with those of the commercial bodies.

As in Germany, so in the United States, reciprocal treaties affecting tariff rates would have to be submitted to Congress for ratification before they could become the law of the land. But in this respect also the difference of procedure is so striking as to seriously influence the efficiency of the same system in the two countries, and therefore deserves close study.

In Germany the treaty having gone through the preliminary stages described here, its ratification by the Reichstag is a foregone conclusion. There may be opposition to it from dissatisfied parties, but once the approval of a majority of the semi-official tariff commission has been secured, its ratification by the Reichstag is assured.

Of the numerous commercial treaties negotiated by the German government since the foundation of the empire, not one has ever failed of ratification in the Reichstag. This is not surprising if we consider that in Germany there is only one legislative chamber, that a simple majority of the votes cast is sufficient for the ratification of a treaty, and that such a thing as putting a treaty concluded by the government to sleep in the pigeon holes of a committee room is a thing unknown there.

Turning to the United States, we find a great contrast. If we adopted the conventional tariff system, the reciprocity treaties would have to be approved not only by the Senate but by the House, since they would contain new tariff rates which only the lower House has the power to initiate under the constitution. As the negotiation of a series of important treaties would be likely to consume considerable time, it could easily happen that by the time they reached Congress a new House might be elected to succeed the one which had enacted the general tariff. The latter being out of the way, the tariff issue would in all probability no longer figure as a political question, and the newly elected House would not, therefore, necessarily be bound by the tariff pledges which the constituents exacted from its predecessor. The reduced rates agreed upon in the treaties would virtually amount to a revision downward of a tariff but recently enacted, and its fate would be by no means certain. It would be a comparatively easy matter for a few congressmen representing different constituencies, standing together, to secure amendments to a number of rates; yet this would be tantamount to a rejection of the treaty, since it would require the reopening of negotiations with the foreign nations and a resubmittal of the newly concluded treaties to the parliaments of the respective countries.

Assuming that the treaty has successfully withstood the scrutiny and attacks of those who were hostile to it in the House, it would still be far from the goal, since under the constitution a treaty must receive two-thirds of the votes cast in the Senate in order to be ratified. It would therefore be easy for a determined minority of the Senate to defeat the treaty.

Under the general and minimum tariff system these difficulties would be greatly reduced, if not entirely eliminated. Congress having adopted a dual tariff in the first instance, the treaties negotiated would contain no new rates, and, therefore, would not require action

by the House. In the Senate, too, it would be easier to secure favorable action, since our own rates having been passed upon by Congress before, the only question to consider would be the concessions secured from the foreign countries. In view, however, of the precedent already established by Congress in connection with the McKinley tariff and followed in the Dingley tariff, it is conceivable that Congress might dispense with the submission of the treaties to the Senate. Under the Dingley tariff at present in force the President is authorized to conclude agreements with foreign countries by granting reduced rates on a small number of articles (brandies, wines, wine-lees, paintings and statuary), and to put them in effect without ratification by the Senate. Under this authority a number of commercial agreements have been concluded in the past ten years, and are still in effect without having been submitted for approval to the Senate. In conferring this authority upon the President, Congress has not parted with its rate-making power, since the reduced rates, to be subsequently granted to foreign nations on a reciprocal basis, are definitely fixed in the act. The same measure of authority could be conferred upon the executive under the proposed dual tariff system by authorizing the President to negotiate reciprocity treaties on the basis of reductions of duty not to exceed the limit set by the minimum tariff. This would insure the prompt application of the minimum tariff upon the conclusion of the negotiations of the reciprocal treaties.

Another serious difficulty would be encountered under the conventional tariff system in the United States through the application of the most-favored-nation principle to our relations with foreign countries. The most-favored-nation clause as interpreted and applied by European nations forms part and parcel of the conventional tariff system. It frequently happens that in negotiating a series of treaties with foreign nations, different rates will be agreed upon on the same products. In all those cases the countries which had accepted the higher rates get the benefit of the further concessions granted to some other nation without being required to offer additional concessions in return. In this manner all nations which have negotiated tariff treaties are treated on the same "most-favored-nation" footing, no matter what the original terms of the respective treaties were. This makes the operation of the conventional tariff system simple and fair.

Under what is known as the American interpretation of the most-favored-nation clause, however, such a procedure would be impossible. It has been the policy of the United States<sup>4</sup> not to extend gratis to other nations concessions which are made to a foreign country in return for reciprocal advantages. Under this construction of the most-favored-nation clause, which narrows down its application only to gratuitous concessions granted to some foreign country, the conventional tariff system would become very unwieldly and complex. To illustrate: If in negotiating a treaty with France we granted a 20 per cent reduction of duty on gloves, and in a treaty subsequently concluded with Germany the reductions were made 30 per cent, we would have three different rates on the same article (the general rate, the rate to France, and the rate to Germany), and it might easily happen that on some articles we would have as many rates of duty as there were treaties concluded. In the case cited here as an illustration, France would find herself discriminated against unless we extended to her gloves the reduction granted to Germany. Under our interpretation of the most-favored-nation clause, however, we could not agree to that without reopening negotiations with France for additional concessions to compensate the United States for the reduced duty on gloves. This would be manifestly impracticable, as no nation would care to negotiate reciprocity treaties with the United States if it could not be assured in advance against unexpected discriminations as a result of subsequent reductions of duty by the United States in favor of other countries. To give them that assurance (which constitutes the underlying basis of all the tariff treaties in force among European nations) we would have to depart from the interpretation of the most-favored-nation clause hitherto adhered to by the United States. The only alternative would lie in the adoption of the general and minimum tariff system in which the minimum rates can be made uniform to all reciprocating nations by an act of Congress.

#### *Conclusion*

Summing the conclusions reached by the analysis of the two dual tariff systems, it can be said that the conventional system offers the facilities of superior strategic advantages in negotiating

<sup>4</sup>This policy has been more fully discussed by the writer in the *North American Review* for March, 1906.

reciprocity treaties, flexibility in mutual rate adjustment, and stability of rates during the life of the treaty. It requires, however, for its successful application the existence of an organization which combines in itself the representative character of a legislative body with the most intimate knowledge of things that comes to a board of experts, which can carry on its deliberations in executive session while enjoying the confidence of the people and speaking with an authoritative voice in the councils of the government.

It is most successful in countries in which the executive and the legislature are under one control, either because the majority of the legislative branch controls the executive, as in countries having a constitution like that of England or France, or because the executive controls the legislature more or less, as in Russia and Germany. It can be made to yield brilliant results where the forms of government and the administrative apparatus allow of a careful planning of a commercial policy, applied with deliberate precision and continuity of purpose, which comes of a stable administrative system undisturbed by political changes.

Finally, the conventional tariff system, to be practical and acceptable to the foreign nations as well as to the one which adopts it, must have as its underlying basis the unlimited application of the most-favored-nation principle, as understood and enforced among all the great commercial nations of the world, except the United States.



## THE AMERICAN INTERPRETATION OF THE "MOST FAVORED NATION" CLAUSE

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The navigation legislation of the United States has been of varied and apparently contradictory character. Often, however, the laws passed have been inconsistent only in effect while prompted by the same general motives. A large portion of our early legislation as to tonnage dues, for example, was passed not to further the development of the American marine alone, nor to furnish revenue for the government, but with the object of forcing other countries to grant fair conditions of commerce. Our earliest agreements with foreign nations show a desire to give and accord the most liberal terms for international trade. Shortly after the ratification of the constitution, however, a severe policy of discrimination against foreign shipping was adopted resulting in the series of "countervailing" tonnage laws by which England and the United States piled restriction after restriction on colonial commerce, one aiming to force the other to open its West Indian markets, the other striving to keep all the trade under its antiquated system of navigation laws. All this was an attempt to force what we considered fair conditions of trade—an attempt wholly opposed in its effect to the general result which the United States sought to secure, the establishment of a free field for competition in the colonial markets. With the second third of the nineteenth century a more liberal policy saw the abolition of many of the navigation restrictions, and until the Civil War brought the re-enactment of tonnage dues there was a period in which comparatively little discriminatory tonnage legislation was passed. The necessity of an increased income during the Civil War brought the renewed levy of tonnage duties which, through a combination of reasons, continue even to-day, as will be shown.

Our commercial legislation, except as discriminations have been

made to favor our own merchants, has been uniformly in support of equal terms to all nations. There has been no granting of special unrequited advantages in trade to certain nations. We have endeavored to grant and secure equal opportunity in all markets to all nations.

Most favored nation agreements have been a factor in the treaty making of the United States from the beginning of our international relations. The very first of our commercial treaties, that of 1778, with France, though falling short of obtaining the unrestricted trade arrangements for which the negotiators argued, secured at least the guarantee that there should be no discrimination in French ports against the products of the United States as contrasted with other countries. The principle thus early introduced appears frequently in our subsequent treaties, and with us as with nations in general has become from the '70's on, a regular feature of international conventions.

Of late years our efforts to establish equal opportunity in international commerce have extended beyond the scope of treaty-making in the narrow sense. Our stand for the open door in the Far East is in fact but another manifestation of the same policy. It is the attempt to assure not only fair conditions in trade with the powers with whom we have direct treaty relations, but to guarantee that none of the great powers shall by agreements with the weaker nations of the Orient obtain any right which shall be prejudicial to the commercial interests of other nations similarly situated. The part the United States has played in the world politics of the Far East has been controlled by the old desire to prevent the monopolization of the trade of certain districts—to prevent a recrudescence of commercial policies similar to those which flourished in the eighteenth century and which the first half of the nineteenth century outgrew.

This policy of equal opportunity for all does not attempt in the least to limit the right of each nation to determine for itself its own fiscal policy, indeed, especially as it shows itself in the Far East it works rather to guarantee to each nation the freedom to discriminate against foreigners. The end sought is rather to assure that to single nations no advantage shall be granted which shall not be granted to other nations upon the grant of equivalent favors. The "most favored nation" principle, in other words, does not at

all interfere with the reciprocity agreements. It allows the nations to contract for mutual concessions with as much freedom as ever.

*Interpretation of the Clause in Reciprocity Treaties*

In spite of the apparent simplicity of this principle, conflict has repeatedly arisen as to the proper interpretation of the "most favored nation" guarantees. The point which is the subject of contention usually narrows down to this: When nation A grants special terms to nation B as to the importation of certain articles in return for concessions by nation B on certain points, does that give all other nations with the "most favored nation" clause in their treaties the right to demand the same concessions upon their declaring their willingness to yield the same points yielded to nation B. Is it permissible, on the other hand, to maintain that the grant to nation B for the return of special concessions gives the other nations only the right to demand a similar grant when they have themselves made concessions which the treaty-making power of nation A shall consider the *equivalent* of those made by nation B? Suppose, for example, that the United States should grant specially low duties on French dry-goods in return for low duties on American agricultural machinery. Is it open to Germany to demand the same terms for her dry-goods under her "most favored nation" treaty upon the tender of the same terms on imports of American agricultural machinery, or may the United States contend that the grant of low duties to German dry-goods would be more than an equivalent return, and would therefore place Germany not on the general basis of the most favored nation (presumably in this case, France), but would make her an especially favored nation, thus, in fact, violating the very principle which the "most favored nation" clause was intended to guarantee? In other words, are reciprocity agreements to be considered as automatically extending to all nations with "most favored nation" clauses in their treaties, or must each be the subject of a special negotiation, a special *bargain* between the countries involved, except where the favors are freely granted?

In this controversy practically all the important nations of Europe have adopted the first view, the United States has from the beginning contended for the second in spite of the apparently con-

tradictory language of many of its treaties. The most important country which stands with the United States on this point is Japan.

*The American Position*

Though the conflict as to the interpretation of the meaning of the "most favored nation" clause did not arise in the United States till almost thirty years later, and then in connection with a subsequent treaty, the commercial treaty of 1788 with France states what has been the consistent American understanding. It declares that "the most Christian King and the United States engage mutually not to grant any particular favor to other nations in respect of commerce and navigation which shall not immediately become common to the other party who shall enjoy the same favor freely if the concession was freely made, or on allowing the same compensation if the concession was conditional." The words "same compensation," or the similar phrases which take their place in other treaties have been consistently interpreted by our government to mean "same in amount," or "equivalent," not "concessions on the same classes of articles."

What is the character of the concessions which will be considered an equivalent is to be left entirely to the treaty-making powers of the respective states. The mutual concessions are "to be honorably determined by the governments concerned." In binding itself to grant the "most favored nation" treatment a government does not bind itself to any definite program. It only pledges its honor that it will not adopt a conscious policy of discrimination. Special privileges in relation to customs on certain articles may be given, or the use of a port as a coaling station, the grant of a protectorate, in fact, anything within the scope of the treaty-making power may be the subject of the concession, and such special privilege granted for a special return is not to be considered as a discrimination which would justify other powers in complaining. They may not enjoy as a right or for a lesser payment a privilege for which other countries have given a valuable equivalent.

This uniform holding by the executive departments was further strengthened by a decision of the Supreme Court in 1887. The question involved was whether Denmark, under its "most favored nation" treaty with the United States, could claim that sugar from the Danish Island of St. Croix should be admitted to the United

States free of duty because a recent treaty had granted that privilege to Hawaiian sugar. The decision of the court is given as follows:

"Our conclusion is that the treaty with Denmark does not bind the United States to extend to that country without compensation privileges which they have conceded to the Hawaiian Islands in exchange for valuable concessions."<sup>1</sup>

The last important statements concerning the meaning of this clause in its application to reciprocity treaties were made in the discussions arising under the Dingley Tariff Act of 1897. In explaining the position of the United States, Secretary Sherman, in a letter to Mr. Buchanan, Minister of the United States to Argentina, stated:

"It is clearly evident that the object sought in all the varying forms of expression is equality of international treatment, protection against the wilful preference of the commercial interests of one nation over another. But the allowance of the same privileges and the same sacrifice of revenue duties to a nation which makes no compensation that had been conceded to another nation for an adequate compensation instead of maintaining destroys that equality, which the 'most favored nation' clause was intended to secure. It concedes for nothing to one friendly nation that which the other gets only for a price." . . . "The right of the other nations to enjoy the same special concessions depends on their ability to offer an equivalent compensation. When they do this the 'favored nation clause' is rightly invoked."<sup>2</sup> Even when the second nation offers the same nominal concessions as given by the first it cannot secure identical treatment under the clause unless the treaty-making power considers the second sacrifice actually equal to the first.

This ground was further emphasized in the subsequent negotiations with Switzerland, Germany and other European powers. Under the authority of the Dingley act a reciprocity agreement between the United States and France was negotiated on May 30, 1898. On June 29th, Mr. Pioda, the Swiss minister at Washington, demanded that the same privileges be extended to Swiss products, on the ground that the terms of the Swiss treaty of 1850 expressly

<sup>1</sup>*Bertram et al. vs. Robertson, Collectors of the Port of New York, U. S. Sup. Ct. Report, Vol. 122.*

<sup>2</sup>*Moore, International Law Digest, Vol. V, pages 277-83.*



covered the case. Article IX of that treaty stated that neither party should "impose any higher . . . duties upon . . . the . . . products of the other . . . than shall be payable upon the like articles being the produce of any other country."

It was found upon examining the correspondence attending the negotiation of the Swiss treaty that a consideration of the intent of the negotiators required that the United States adopt the Swiss view as to its meaning. At the same time the statement was made that the Swiss agreement must be considered "as henceforth constituting an exception to the otherwise uniform policy of the United States." The customs officials were therefore instructed to grant the same terms to Swiss products that had been granted to those of France. The United States insisted, however, that it might prove necessary for her to denounce the treaty under which she was obliged to adopt this agreement, since it was clearly in opposition to our well-established practice.

This yielding to the Swiss claims was at once followed by claims from other governments that they should be granted the same privilege which had been gratuitously granted to Switzerland. To accede to these requests would be equivalent to giving freely to all nations the concessions made to France. To avoid this consequence, notice was given to Switzerland that the United States would terminate its convention of 1850 so far as the articles in question were concerned at the end of one year. The denouncement of the articles finally took effect March 23, 1900.

The same French agreement which had brought this complication with Switzerland aroused the Germans to insist that they must be put upon the same basis by virtue of the treaty of the United States with Prussia of the date of 1828. Investigation of the terms of the convention showed, however, that Germany's grievances were based only upon the prevailing difference of opinion as to the application of the "most favored nation" clause to reciprocity treaties, and the claim was disallowed.

#### *Application of the Clause to Laws of Congress*

Besides the application of the "most favored nation" clause to treaties there are two other general classes of cases in which it has been invoked. These involve the application of our laws of

Congress to foreign trade. They may be grouped under: (1) geographical discriminations, and (2) retaliatory discriminations.

*Geographical Discriminations.*—On June 26, 1884, an act went into force "to remove certain burdens on the American merchant marine, and encourage the American foreign carrying trade." Section fourteen of this law provided a modification of the tonnage duties which had been re-enacted at the time of the Civil War. It granted to vessels entering the ports of the United States from ports of Central and South America a tonnage reduction of one-half of the amount charged other ships. Each such vessel was to pay three cents per ton—not to exceed fifteen cents in any one year, instead of six cents—not to exceed thirty cents in any one year, the rate charged to others. Belgium, Denmark, Germany, Italy, Portugal, Sweden and Norway protested against the enforcement of this law on the ground that it violated their treaty rights. The argument presented by Germany is fairly typical of the others. It was maintained that the answer made by the United States that the discrimination was purely geographical in character was unsatisfactory. If this principle was admitted it might make all "most favored nation" guarantees of no value. Geographical discrimination might be used to the extent of excluding—for example—all but Germany. Even if such exceptional laws could be justified in certain restricted cases where the countries were contiguous they could not be so when countries at a distance were involved. In effect, if not in wording, the act, it was claimed, violated the treaty agreements.

In 1886, with the protests still unsatisfied, another act was passed authorizing the President to extend the favorable tonnage regulations to all parts of South America. In addition the President was authorized to extend similar privileges to any other country upon the assurance that no higher duties were charged American vessels in the ports of such country. To this interpretation Germany again objected, because not only was the act of 1884 not repealed, but was extended to include South America.

"The original attitude assumed by the German government towards the old law has been in no wise changed by the new act. . . . As long as vessels from the ports of North and Central America pay but one-half of the tonnage duty that is levied upon vessels from German ports without being required to furnish proof that less than six cents is exacted from American

vessels in their ports, *the imperial government will be obliged to maintain its claim for similar usage.*<sup>3</sup>

The United States has not seen fit to modify its holdings as to its right to make geographical discriminations. Our policy is to abolish tonnage duties as against countries which do the same for us. In but few countries, however, is there an absence of tonnage duties of some sort, and consequently the law has had a negligible effect in practice.

*Retaliatory Discriminations.* Clauses providing for retaliations against unfair trade conditions introduced by other countries are to be found in the McKinley act of October 1, 1890, the tariff act of August 28, 1894, and the act of July 24, 1897. In all these cases the interpretation of the "most favored nation" clause has been involved.

Under the McKinley act it was provided that when the President should be satisfied that any country producing and exporting sugars, molasses, coffee, tea and hides, or any of such articles imposed duties on the products of the United States which were unfair in view of the free importation into the United States of the enumerated articles, he should suspend such free importation and place upon the articles certain duties. Under this power a proclamation was issued March 15, 1892, imposing duties on the specified articles when imported from Colombia. Colombia protested to the United States, but it was maintained that the law was no violation of the "most favored nation" guarantee since it applied "the same treatment to all countries whose tariffs are found by the President to be unequal and unreasonable."

One of the most interesting phases of the discussion of the "most favored nation" clause is that raised by the payment of bounties for exportation. Where a bounty is paid for the exportation of certain domestic products does that introduce a discrimination in trade which a foreign country may counteract by increasing its tariff on bounty-fed imports and still hold that it has not violated the "most favored nation" guarantee? As to this class of discriminations the division of authority is different from that as to the application of the clause to reciprocity treaties. England and the United States are the leading advocates supporting such retaliatory

<sup>3</sup>Report of Mr. Bayard, Secretary of State, to the President, Jan. 14, 1889, H. Ex. Doc. 74, 50th Congress, 2d session.

legislation. Russia, Germany, Austria-Hungary and the continental countries in general, stand opposed. This question has arisen under the tariff act of August 28, 1894, and the act of July 24, 1897. Against the first act the German ambassador protested October 12, 1894, claiming that the German export tax on sugar which the act in effect counteracted by the levy of an additional duty of one-tenth of a cent a pound, was a domestic measure purely, and therefore outside the consideration of the United States. To enforce the law would, he said, deny to Germany the "most favored nation" treatment. In this contention Mr. Gresham, the then Secretary of State, was disposed to agree.<sup>4</sup> Mr. Olney, who succeeded to the position in the following month, November, took the opposite view, holding that "the export sugar bounty of one country might be counteracted by the import sugar bounty of another without causing any discrimination which could be deemed a violation of the 'most favored nation' clause."<sup>5</sup>

This is the position finally assumed by the United States. The act of July 24, 1897, further extended this principle by providing that any sugar imported from a country remitting the tax usually levied on all exported sugar, should be liable to an increased duty to the full amount of the refunded tax. Such repayment of taxes is, the courts have decided, only a disguised form of bounty.<sup>6</sup>

From what has preceded it is clearly seen that the "most favored nation" principle, as interpreted by the United States, has often been fruitful of misunderstanding if not of ill-will on the part of European countries. The treaty-making power of the United States, indeed, has often had to bear harsh criticism by foreign public opinion on other accounts also. In countries whose foreign offices can, by their own acts, bind the governments to treaty provisions without the concurrence of any other body, a constitutional requirement that after negotiation all treaties must be reviewed by the upper branch of the legislature is not easily understood. The part of the Senate in our foreign relations has not, indeed, been without serious criticism from many even in our own country. On the one hand it is asserted our government reserves to itself the privilege of retreating from a bad bargain, or one which does not

<sup>4</sup>Foreign Relations, 1894, 236.

<sup>5</sup>21 Op. Atty. Gen. 80-82.

<sup>6</sup>Downs vs. United States (1903), 187 U. S. 496.

meet popular favor after the other party to the agreement has practically bound itself to all the treaty provisions—only the formal exchange of ratifications being left to be accomplished. This, it is claimed, introduces an unequal element into the negotiations.

On the other hand, it is argued that reference to the Senate denies mobility to our treaty-making machinery. The necessity of review by this body, with the attendant clash of party interests and the ever-present possibility of filibustering, surrounds the negotiations with so many possibilities of defeat that our government is at a distinct disadvantage in comparison with others.

The "most favored nation" clause as an element in our treaties has in the same way been a subject of criticism. Like the treaty-making power in general, it has often provoked resentment in foreign courts. This is due to no lack of consistency on the part of our government, but to a non-appreciation of the extent to which the United States intends to bind itself in the negotiations in question.

#### *The Advantage of the American Interpretation.*

The meaning of the clause has the distinct gain of giving flexibility in one respect in spite of our cumbersome treaty-making machinery. When the government in designing reciprocity agreements or commercial legislation can act with the assurance that the measure will apply only to that portion of our foreign trade which it is intended to affect, it is much easier to fit the legislation to needs than it is when it must constantly be borne in mind that the identical concessions may be claimed by other countries to which they were not intended to apply. The complexity of modern trade relations makes the application of an invariable rule often a means of introducing rather than eliminating discriminations. Indeed, in many cases a reciprocity treaty might provide for mutual concessions which, while not amounting to discrimination such as would violate the most favored nation principle, would be entirely destroyed in value were similar rights granted to others.

Take for example the Hawaiian treaty of 1875, in which, among other things, it was agreed that that government should not during the life of the treaty lease any port, harbor or territory to any other power, or allow any other nation to obtain the privileges in customs duties which were granted to the United States. In



return the United States granted certain commercial privileges to Hawaii. This agreement, the United States could maintain under its interpretation, was no violation of the most favored nation guarantee but was an adjustment which, though it gave exclusive privileges, was one which was justified by our peculiar relation to the islands. If the European interpretation of the clause had been strictly applied, it would have necessitated the disregard of all the local conditions which counseled special arrangements, with the result that the advantages which each of the powers sought by the agreement would have been minimized, if not destroyed.

A similar illustration is afforded by the Cuban reciprocity treaty of 1903, granting to Cuban sugar a reduction of twenty per cent of the usual tariff in return for other concessions by Cuba. Cuba, it was further agreed, should continue during the life of the treaty to be the only country to whose sugar this advantage should be given. The peculiar political relations of the two countries, the United States held, justified its making such an agreement, notwithstanding its treaty guarantees to other nations. Not to allow the treaty-making power this freedom of action would indeed often hamper, if not destroy, its power to make the agreements demanded by actual conditions.

As applied both to treaty-making and legislation in general, the interpretation of the "most favored nation" clause adopted by the United States has the decided advantages of flexibility and certainty. It allows the adjustment of relations to varying conditions and thus avoids the adoption of uniform rules which in many cases would in fact amount to discrimination. It also avoids the uncertainty on the part of legislators and the courts which must of necessity be present when, due to the interlocking of the provisions of various treaties, it is not clear to what body of facts any law or treaty may apply.

## THE MAXIMUM AND MINIMUM TARIFF

BY JOHN FRANKLIN CROWELL, PH.D.,  
"The Wall Street Journal," New York City.

The declarations of the National Republican platform in favor of the maximum and minimum tariff to supersede the existing general tariff is pretty sure proof that, if the present administration be returned to power in the coming elections, revision will be made in keeping with the policy thus outlined. In the platform statement the minimum tariff is proposed as the normal and the maximum as the means of forcing more favorable terms upon nations whose tariffs discriminate against American goods. Presumably the standard of equal treatment is still to be found in the most-favored nation basis.

If the government actually carries out this program, it will mean that the United States is taking counsel in her tariff developments from her own imitators who have meanwhile gone much farther in the use of the tariff as an offensive and defensive instrument of trade. Our protective tariff which continental Europe first copied has in their hands been developed from a mere defensive measure to an offensive weapon. But in applying our protective tariff they discovered that the self-sufficiency of our natural resources and home market was lacking in their case. Hence the necessity of so developing their tariffs as to favor the imports of raw materials and to force open foreign markets for their manufactures. As the industrial development of the United States advanced, some such tariff reconstruction has become inevitable here.

How is this program likely to work, as applied to the United States? That will depend much on the skill, technical intelligence and commercial foresight with which the proposed maximum and minimum tariff is constructed. The construction of the schedules in turn will depend largely on the proportionate weight allowed to expert judgment, producing interests and the consuming public in dictating rates of import duties. Our existing tariff favors the producing interests most and the consuming interests least. Although constructed with skill, it lacks that capacity to encourage

foreign trade by being adjustable to conditions within limits prescribed in the schedule.

An approach to this adjustability was made in our reciprocity treaties and in the surtax on imports of bounty-fed sugar. Neither of them worked satisfactorily, probably because of the quite limited scope of their application. The reciprocity treaty with Canada worked against our interests. That with Spain (Cuba) worked in our favor. But the net outcome of the surtax war with Russia probably did the United States more harm in the exclusion of our manufactures by the maximum tariff imposed by Russia than our excess tax on sugar did to Russia.

Assuming that our maximum and minimum tariff schedules are to be constructed with as much insight and foresight as the French or the German tariffs, having thoroughly considered both trade relations and the treaties arising out of the new schedule, then the result will depend on the skill with which the treaties are negotiated and the system applied. If applied by a permanent commission composed of competent experts, not exclusively given to questions of customs administration, but quite as much to mastering the more general problems of our foreign trade, then there may be found in this system of tariffs the key to the baffling situation from which American foreign trade must sooner or later extricate itself.

If these requirements of a scientifically constructed and competently administered tariff are not met in some reasonable measure in the proposed maximum and minimum schedules, then the instrument which has proved so effective elsewhere may, for lack of these essentials, prove to be a bungling machine in the hands of those who have not yet risen to the height of its mastery. The first problem is to construct the right kind of a mechanism. The next one is to see that it does not work to the detriment of the domestic good, nor to the defeat of the desire for an expanding international trade.

Such an instrument the French statesmen intended to contract in their maximum and minimum tariff of 1892. They succeeded finally in accomplishing the two main objects—to give greater security and encouragement to domestic production, and to obtain readier access to foreign markets. The difference between minimum and maximum rates indicated the measure of concessions France was prepared to make for admission of her products to outside

markets. The maximum tariff was in force except wherever by agreement to favor French imports the minimum rate was granted. On cattle and meats, for instance, in which the United States was greatly interested, the tariff of 1892 had only one schedule. But ten years later, after it was seen that even Germany could import meats profitably over the rate of \$1.93 per kilo, the minimum rate on cattle was doubled and the maximum trebled. The rates on meats were advanced as below:

	Tariff of 1892.		Tariff of 1902-03.	
	Max.	Min.	Max.	Min.
Cattle .....	\$1.93	\$1.93	\$5.79	\$3.86
Mutton .....	6.17	6.17	9.63	6.75
Pork .....	2.32	2.32	7.72	5.40
Beef .....	4.82	4.82	9.65	6.75
Salt meats .....	4.82	4.82	9.65	5.79

This table illustrates the extent to which the tariffs were applied in the effort to preserve the entire domestic trade. At all hazards the home market was to be reserved in full. To that end the schedules were kept in the control of the legislature rather than entrusted to the treaty-making powers, whose range of concessions was defined by the two extremes of the schedule. By this method any unfavorable developments in trade movements could be dealt with from year to year. The tariff war with Switzerland, which would not accept even the French minimum as the equivalent of Swiss rates on French goods, lasted only seven months (1895)—long enough to result in France's giving Switzerland lower than minimum rates on twenty-nine commodities. (Ashley, *Modern Tariff History*, Ch. VI.) Thus out of the double schedule developed a sub-minimum schedule, as with Spain and Switzerland, and by Article IV of the Meline law an ultra-maximum or commercial war tariff was provided for. Consequently the so-called maximum and minimum tariff has by this time evolved into a fourfold schedule, any one or all of which may be changed at any session of the legislature, to say nothing of treaty changes or the varying interpretations of the tariff administration. This gives great instability to imports. The burden of the French system is defensive to the extent of prohibition of foreign competition. A secondary consideration is the expansion of exports. With the German tariff policy the former is assumed as secure and the latter is the main purpose.

This difference is significant of the tariff methods of the two nations.

This was only one side of the workings of the French system. The natural effort to escape the burdens of maximum rates is seen in the fact that within a year or two eighteen different countries, by treaty or convention, became entitled to the minimum tariff. Within the scheduled limits of double tariffs there are always wide possibilities of negotiation. Germany, seeing this opportunity, and fearing to hazard her export trade to legislation, threw the weight of her efforts into commercial treaties, by which, in the negotiations of 1890-92, a ten-year freedom from charge was, as a rule, secured, and a definite basis found for pushing her export interests.

Of the two nations, France and Germany, both have the double tariff, but the former has contrived her system to admit of readjustment in administration, thus retaining a large element of uncertainty in its working in trade, while Germany has largely eliminated this by the specific terms of commercial treaties. The years 1903-04 marked the end of the old and the beginning of the new tariff policy of Germany. The highly specialized tariff aimed at two objects, to place higher duties on all manufactures which had hitherto been imported in greater value than Germany exported, and to secure more favorable trade treaties in the place of the Caprivi treaties as their limit expired. (Review of World's Commerce, Washington, 1904, p. 72.)

On this basis Germany's foreign trade is now advancing, and apparently with increasing confidence toward the future. The French tariff has given a high measure of self-preservation to domestic industries in agriculture and manufacturing. But it has not really secured that degree of expansion in foreign trade which was anticipated. This is due only in part to the indefiniteness of her general treaties, but also in part to the character of her exports which go mainly to the well-developed nations, as compared with Germany, whose treaties with the smaller nations of Europe have given her special advantages.

The United States have now before them two historic experiments in tariffs based on the ideas of protection to home industries and exportation of a growing industrial surplus. Which of the two is better adapted to our purposes? The answer would seem to be this: That until the United States becomes fully enough aware



of the necessity for its manufactures to open and maintain foreign markets as a permanent part of national policy, the methods involved in the French system may be quite adequate for most of our needs. But once the industrial interests of the nation get a foretaste of the possibilities of a truly world market, we will have to resort to the much more specific and systematic methods of Germany. In fact, the more highly developed exporting industries, like the implement industries, the steel industries and the provision industries can even now have no other vital interest in the tariff than this one, by which their particular products may be given favorable treatment by foreign nations in permanent treaties.

The lack of permanence involved in the maximum and minimum schedules is one of the most serious objections to it. If, for instance, a domestic industry has been protected by a maximum tariff up to a given date, and then upon some foreign nation's compliance with conditions, it is given the minimum tariff, what is there to prevent the sacrifice of the domestic industry in question? Either the export concessions must be foregone or the home industry sacrificed to imports.

This illustrates some of the legislative and administrative difficulties in the way of adapting a maximum and minimum tariff system to our increasingly complex commercial life. If Congress stops with a mere adoption of the double schedule, but does not go farther and follow up the strategic advantage lying beyond, by negotiating treaties which favor the more progressive export interests, it will not be putting into practice the results of the world's best constructive experience in tariff policy.

## TARIFF MAKING—FACT AND THEORY

BY H. E. MILES,

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on Expert Tariff Commission, Representing Fifteen National Organizations.

Although this paper is critical of the details of our tariff laws, it is written by a protectionist, a manufacturer, and a Republican. My belief in the principle of protection to American industries and labor is so implicit and deep-seated that I have no patience with ways of indirection, and am impelled to protest against the abuse of an economic principle upon the right use of which depends the welfare of millions of manufacturers and laborers.

To maintain political independence, which a nation must have if it is to exist at all, it is of greatest importance that the country should have economic independence. The former is greatly strengthened by the latter. In its effort to secure economic independence, a new country faces at the outset the handicap of the centuries in accumulated capital, experience, skill and general development of older nations. These older lands are themselves rapidly progressing. The new country must advance not merely as fast but faster if it is to catch up. It is a patriotic duty to secure economic independence.

It is, moreover, of inestimable money and intellectual advantage to a nation to diversify industries and to advance along many lines simultaneously, and this is especially so in a country where natural resources are so superior in quantity and quality as in the United States.

It is necessary in a republic where all men vote and are equal before the law, that a high standard of living be maintained, and that every worthy man should have income enough to live in comfort and to educate his children. To make this possible is a patriotic duty which the American people accept joyously.

The very strength and security of the protective tariff as a part of American polity often lead to abuse and corruption. The politician or the demagogue by portraying the dangers of free trade readily persuades his constituents to instruct him to champion

protection; and too often he uses his instructions as a cloak to cover his support of sordid interests and corrupt measures. The discussions of the tariff in political campaigns are debates as to the merits of free trade or protection instead of being a consideration of the methods by which protection should be applied. Not in our generation has even a Republican politician clearly outlined the principles that underlie rate making and justify with exactness particular rates. This was illustrated recently when I asked an important member of the Ways and Means Committee of the House upon what underlying principle of measurement the rates rest. He could conceive of none. Another member of the committee bit his lips and walked away. He is personally responsible for a schedule that costs the American people from one to two million dollars per week. The first member then said, "Why, Miles, if anyone down in my district wants anything, I get it for him, and I get all I can, and that's all there is to it." And so it is. Were that man to try to be specific, he could not justify a single schedule with any exactness. He is only a tariff horse trader, and resists any attempt to make him otherwise.

I went with certain data to the man probably most responsible of all for the present tariff situation. Said he, "Do you think we don't know. Take Senator ———, of ———, for instance. He held up the Dingley bill till we gave him and his pals a wholly unwarranted tariff on borax worth to them over \$5,000,000 in money. We had to have his vote!"

And so it is that Nevada borax, the most easily mined and the best deposits in the world, is "protected" against inferior foreign deposits, and that the retail price of borax in England is  $2\frac{1}{2}$  cents a pound, while in the United States it is  $2\frac{1}{2}$  cents plus the 5 cents duty, or  $7\frac{1}{2}$  cents. This senator quickly sold the mines to an English syndicate for \$12,000,000. What he sold was incidentally the mines, and in principal part, the right to tax the American people, by act of Congress, 5 cents per pound, or 200 per cent on its borax over and above a fair price. The congressman who told me the story said also, "If it were in my power I'd so fix it that the present tariff could not be altered one jot or tittle in sixteen years." And a people of high moral ideas exalts this man and his many followers.

This man knows that when the Dingley bill was passed the cost of the manufacture of steel rails was \$12 per ton in Pittsburg and \$16 in England; ocean freight was, and is, about \$3.50, making

\$19.50 the English cost delivered in New York, or 63 per cent above the Pittsburg cost. Imagine any congressman being so foolish or so daring as to attempt to explain why, with this 63 per cent of "natural protection," \$7.80 per ton, or 65 per cent, more protection was given by Congress. The granting of a tariff like this is a farming out of the taxing power for private considerations and to private interests.

Not long after the passage of this bill steel makers, guided by Wall Street promoters, put about one billion dollars of water into one corporation, and partly, at least, by the powers given to them in that tariff by Congress and the President, they have transfused the wealth of the people into that watered stock, in an amount not less than \$1,000,000 per week, until it has become a most substantial property. Lesser concerns have taken as much more. Sales prices have been doubled. Seeking relief from abroad, domestic users have found the government of the United States practically preventing relief through importations at one-fourth lower prices, although these lower prices were being gladly met by our makers in neutral markets, and very profitably.

Americans owning factories both in the United States and in Canada are buying Pittsburg steel cheaper for their Canadian factories, and are supplying foreign markets from Canadian factories formerly supplied from the United States. Leading political manipulators, sometimes called statesmen, and even protectionists, knowingly made all this possible in the name of protection to American industries and labor.

Or consider pig iron. The wage cost at the furnace of converting the raw materials there assembled into pig is, as stated by Mr. Schwab, 41.1 cents per ton of pig produced. Indeed, Mr. Schwab says that this covers, at the best furnace, also maintenance and overhead expenses. This seems almost incredible, but for more than a generation our steel men have taxed the belief of the manufacturing world by the actual facts of their accomplishments. Certainly pig, like all other steel and iron products, is produced cheaper in this country than anywhere else on earth. Mr. Gary fairly conceded this to a congressional committee, which, however, for some reason, failed to act upon the information.

In utter disregard of the principle of protection Congress, under the influence of John Dalzell and in the name of the principle thus

set at nought, put a duty of \$4.00 per ton on pig iron—a duty about ten times the total wage cost of production at the furnace. It is interesting to know that Chairman Payne, of the Ways and Means Committee, fearing popular opposition, fought Mr. Dalzell on the steel schedule for two weeks. There are limits to which even Mr. Payne goes reluctantly. A friend tells me Mr. Payne has said, "Why, logically, the steel people deserve no duty at all."

The next greatest industry after iron and steel is textiles, with an output, as I remember, of about \$800,000,000 per annum. The provisions of the textile schedule pass all belief. No industry more clearly deserves and requires protection. No industry has less need of devious and unfair rates and methods. The output of all the woolen mills of Massachusetts by a recent census, is of the yearly value of \$200,000,000. The wages in the mills total \$50,000,000, or 25 per cent of the output. Wages are there 60 per cent higher than in Great Britain which would make the British rate 16 per cent of the output on the basis of American values. The difference in wage cost is therefore 9 per cent. It would seem that twice this 9 per cent, or 18 per cent, would be moderately protective, and three times, or 27 per cent, almost liberally protective, with some allowance possibly, to the wool grower. But the rates run from 75 per cent to 165 per cent as measured by the money actually paid in at the customs houses. This latter figure, however, marks only the point of legislative prohibition, beyond which the rates mount to 200 per cent and upwards. There is neither honesty nor common sense in this schedule, unless the evidence of extreme manipulation on the part of the manufacturers is to be so considered.

Reference may also be made with propriety to pressed glass, which is made so cheaply in the United States that it is exported to places of foreign manufacture and there sold at better than American prices. The leaders in that industry were invited by Mr. McKinley to write their own schedules for the McKinley bill, "and to make them fair." This was, and is, quite the common practice. The committee of glass men, thus placed upon honor, put pressed glass on the free list. But it appeared in the law finally at 65 per cent duty. Evidently greedier men secured the change, and with the proof of their unfairness already before Congress.

The present political methods of tariff making offer special inducements and opportunities for the corrupt use of corporate



influence. Having millions of possible profits at stake in the fixing of a tariff rate, it is no wonder that the trusts and other special interests will spend large sums to influence elections and to control the actions of members of Congress. A congressman, who represents one of the most important manufacturing sections of the United States, said to me, "My people would, I believe, spend \$25,000,000 to keep the tariff right where it is." The special interests have been quite willing to make campaign contributions, and their aid has been given to whichever party is in power. As the late president of the Sugar Trust testifies, "We give large contributions to Republican campaign funds in Republican districts; to the Democrats in Democratic districts; and divide the funds equally between the two parties in doubtful districts." That numerous men prominent in public life have been corrupted by money spent to control the tariff is a fact of which there is conclusive proof.

Our tariff schedules and the methods followed in working them out constitute a national scandal. The tariff is a moral as well as an economic question, and a popular demand for a tariff that shall be honestly and equitably protective is greatly needed. A general public agitation to accomplish this end could hardly fail to meet the approval of the President of the United States. If Mr. Taft should be elected, he will surely welcome such a popular movement. He will not want to sign a dishonest tariff bill. The President, it should be remembered, shares with Congress the work of tariff making. This fact has not been pressed home strongly enough. The American people will not again look on complacently while a President signs a tariff bill with one eye shut and the other blinking.

### *The Way Out*

Nothing is easier and simpler than the making of an honest, scientific and helpful tariff. I do not mean by this that it can be done in a night-time, nor with small care. It requires the ceaseless patient endeavor of high-minded men, expert in manufacturing processes, in international trade relations and in tariffs of this and other countries.

Four principles heretofore wholly disregarded must be constantly and thoroughly respected. These are:

(403)

1. Protection to the consumer.
2. Domestic competition.
3. International costs and foreign competition.
4. Reciprocity, with maximum and minimum schedules.

*Protection to the Consumer*

The benefits of the tariff should accrue to all the people and not to a few politicians and manufacturers only; nor to the manufacturers and their dependents in Congress and in Wall Street. The money in the pockets of the public belongs to the individuals who comprise that public, and cannot lawfully be taken from those pockets except upon full and fair equivalent. The makers of the constitution were themselves so upright and clear minded upon this proposition they did not stop to consider that Congress could, much less that it would, rob the people under the taxing clause. They would have considered unconstitutional such abuses as now prevail. They justified the original bill, which gave average protection of only 5 per cent, upon the ground that it was of such direct benefit to every inhabitant as fully to recompense him. To-day our lawmakers ignore the rights of the consumers and the public in their service of the corporations.

The shoe is now on the other foot. The taxpayer is held to be the property, as it were, of the manufacturers and promoters. Instead of the manufacturer proving that he is entitled to a certain tariff, he is held to deserve the earth and all its increase. Consumers are not expected to assert either rights or interest in the charges made against them.

The public must not again permit the consumers' interests to be sacrificed as they were, for instance, in the present woolen and sugar schedules. The woolen manufacturer, upon submission of proof that imported wool was used in making exported yarn, may secure a drawback of the duties paid. The evidence shows that  $1\frac{1}{2}$  pounds of wool are used in making a pound of yarn, but the tariff allowance is for  $2\frac{1}{2}$  pounds of wool. When the tariff rates on sugar were being considered by the Ways and Means Committee the representatives of the Sugar Trust insisted upon certain rates, but declined to give the figures and other proofs showing the necessity for the rates. The result was that the committee "compromised" with the trust by giving it more than would have been

given had there been specific data at hand from which to make the rates. Who, it may fairly be asked, was in real control of tariff making that day, the people through their representatives, or the trusts with their friends on both sides of the committee table? The result has been sugar prices higher in the United States than in Great Britain, and a tariff rate exceeding the total cost of production, including the expense of raising the beets.

### *Competition*

Competition was for many years considered a cure-all for tariff abuses. In competition Congress took refuge as against all criticism. Mr. Carnegie showed the reliance the public thus placed upon this when he said, in 1884, concerning steel:

We are creatures of the tariff. If ever the steel manufacturers attempt to control or have any general understanding among them, the tariff would not exist one session of Congress. The theory of protection is that home competition will soon reduce the price of the product so it will yield only the usual profit. Any understanding among us would simply be an attempt to defeat this. There never has been, or ever will be, such an understanding.

Mr. Carnegie did not foresee what would occur. Excessive, dishonest, and unreasonable rates made by Congress and the administration have been the principal inducement for the destruction of competition and the formation of trusts for fifty years, during which time a very great number of the tariff rates have been not protective in any sense, but have been prohibitive. Prohibition of imports is not protection.

Congress might almost as well decide that there shall be no competition as to give, as it now does, to shrewd American business men rates that are practically prohibitive of imports upon billions of dollars worth of the requirements of the people. In my own business, for instance, a protection of 15 per cent to 25 per cent is necessary, but Congress gave us, under an omnibus clause, 45 per cent. In doing this it permitted, if it did not invite us, to consolidate, and to add to our sales prices about 20 per cent and treble our profits, possibly quadruple them. At any rate the strong arm of the government will not permit of foreign competition, and so by our elimination of domestic competition, the people can be put wholly at our mercy to the extent of the excess duty.

And this is what has happened with most of the necessities of life. The government under both political parties has aided, abetted, and enriched trusts and trust makers insistently and outrageously.

Domestic competition has been so far eliminated that it is no longer to be reckoned with as of saving consequence.

#### *International Costs and Foreign Competition*

With home competition gone, this principle of international costs remains substantially our only salvation. It is a pleasure to note that this, as a living and vital principle, was first brought clearly and emphatically to the public mind by the American manufacturers themselves, through their leading organization, the National Association of Manufacturers, which for years has declared that the tariff should measure, in Mr. Taft's language, "Substantially the permanent differential between the cost of production in foreign countries and in the United States." This principle is itself one of competition, limiting the possible extent of trust extortion under tariff by the opportunities of foreign competition after the limits of a proper protection have been reached.

Protection does not mean that the prize-fighter shall be protected against the child, but rather the child against the prize-fighter. Our manufacturers are protected when they are given a tariff rate that measures this difference in international costs, and makes them the equal in matter of costs of the producers of the same articles in Europe and the Orient.

The Senate recently stated this principle in a resolution concerning the next revision and implied that revision would be based upon this principle, as it must be if fair. But with extreme regret I note that the sub-committee to which the question of revision is referred is composed of men who presumably represent in business life the over-protected interests.

The tariff committee of the House has made a display of getting exact information, but I know that they will not regard this principle or any other. They talk of using experts; but the men on these committees are the men discredited in recent years by the progressive wing of the Republican party, and finally at the Chicago convention. The data derived from experts will hardly be of great influence. This principle of the difference between the cost abroad and at home, as determining the rate was accepted in Chicago and

made an important part of the Republican platform. The ultra-protected interests, however, secured the addition of a clause which opens the door to excessive rates, as heretofore. The plank reads: "The true principle of protection is best maintained by the imposition of such duties as will equal the difference between the cost of production at home and abroad, *together with a reasonable profit to American industries.*"

The government does not guarantee profits to the wheat grower, good incomes to clerks, and clergymen, nor steady employment to labor. Is it to guarantee profits to trusts only? This clause would not help those who manufacture and sell under old-fashioned competition, for competition keeps their profits at the minimum, or destroys profits. But when trusts have only foreign competition to fear and the government gives them a duty which brings their costs on a parity with Europe and Asia it gives them full and fair protection, trusts though they are. When it adds to such protection a guarantee of profits also, it practices the worst sort of class favoritism, and in a quarter where it is least of all pardonable. This sort of "protection" is equal to a guarantee of stocks, bonds, and income, at the expense of the people.

The statement of principles in party platforms is not to be taken very seriously. Rather let us hope that Mr. Taft, who secured so much in the acknowledgment of the principle that tariff should be based on international cost differences, will now successfully assist the people to its definite and fair application. The National Association of Manufacturers has declared for the exact difference in costs, to be figured, however, with such reasonable and ample margin of safety against contingencies as ordinary prudence justifies.

The proper application of this principle to the rates will obliterate so much of the controversial and party differences that it will cause the tariff to be seen with new eyes. Tariff extortion will cease. The moral tone of politics and business will be immeasurably advanced. Home users will purchase at fair prices, and, for the most part, as cheaply as foreigners now buy from us. These equalizations of advantages will afford us world-wide trade opportunities of inestimable advantage to us at all times, and especially in dull times like the present.



*Reciprocity*

Fortunately, we are, at last, almost certain that the next tariff will be one of maximum and minimum schedules, leaving us no longer alone among the nations and unable to make trade agreements for the extension of commerce.

It was President McKinley's fondest hope as he took office to make his administration distinguished by reciprocity treaties, under the provisions of the present law. Great was the public disappointment when those who permitted these provisions to be incorporated in the law only as a vote-catching and specious sop to the public, prevented the fulfilment of his hope. Reciprocity should be made a prominent feature of our future tariff legislation. The importance of securing expanding foreign markets for our manufactures makes this imperative.

With an honestly made tariff that does not unduly burden the consumer, that permits of healthful foreign competition, that is as high, and only as high, as is required to place domestic and foreign producers on a parity, that provides for reciprocal trade agreements in the interest of a larger foreign trade, American industries will prosper by honest and equitable methods.

## A PERMANENT TARIFF COMMISSION

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BY HON. ALBERT J. BEVERIDGE,  
United States Senator from Indiana.

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At the beginning of the last session of Congress I introduced a bill for a permanent tariff commission. This bill seeks to create a commission of experts to find out the facts upon which Congress builds a tariff and to make a classification of articles, to which Congress can plainly and accurately fix customs duties. The commission itself is not allowed to fix duties or even to suggest any rate. The fixing of duties is left to Congress. The commission is kept strictly to the task of gathering facts and making clear classifications; the first is expert investigating work, the second expert clerical work. Neither is properly legislative work. In short, by this bill the commission is an assistant of Congress, a servant of Congress. Of course the commission ought also to recommend rates; but in the present mind of Congress I realized that it is impossible to get such a provision passed; so I left it out.

It is the business men who must do business under the tariff, and therefore the American tariff should be a business men's tariff and not a politician's tariff. What is wanted is a scientific tariff that will do justice to all interests and to all men, and not a log-rolling tariff which does less than justice to some interests in order that it may do more than justice to other interests. What is wanted is a tariff which will open to our products the markets of foreign countries, and above all we want a tariff builded upon facts instead of suppositions.

The appeal to the only power which really rules this country, American public opinion, has forced from those who thought that the Dingley law is sacred, and that time which changes all conditions changed nothing with reference to tariff rates, a concession that they were wrong and that the Dingley law at last must be replaced by a law which will be up to date.

Next year when the Dingley law is revised it will have been in force nearly twelve years, a longer time than any tariff has lasted

since the Civil War, a longer time than any tariff except two has lasted since the foundation of this republic.

Yet during the last twelve years, conditions have been revolutionized, and the industrial world has speeded forward more rapidly than in any fifty years in our history; and what is now demanded is that the tariff rates of twelve years ago shall be made up to date. Tariff rates that twelve years ago may have been just, changing conditions to-day have, in some instances, made unjust now. And our tariff classifications—they are a generation old and, by rulings of the board of appraisers and the courts on new and unclassified articles, have been made chaotic and unintelligent. Surely these classifications should be made modern, clear and understandable.

In considering the problem of our customs duties we must remember that the first element is *the facts*. The tariff should be fixed by facts; how to get at these facts is the first question in the whole tariff problem. If any man needs the facts more than another it is the protectionist like myself, because we cannot wisely protect any business unless we know the facts about that business. In a purely revenue tariff some duties can be fixed without any facts, such as duties on coffee, tea, chocolate, tropical fruits; and other food necessities; for such a revenue tariff must include all of these because they are consumed by all of our people, not produced by any of our people, and therefore would be the best revenue producers of all imports.

Still the facts are also necessary to the advocate of a purely revenue tariff; for even such a tariff must sweep through thousands of articles because our needed revenue is so great. So the man who is for a purely revenue tariff should know the facts, and a man who is for a protective tariff must know the facts.

How then can we best find out the facts upon which a tariff should be based? Common sense and experience answer the question. We should create a body of experts to find out these facts for us. These men should be the fittest men that can be found for this work; they should give their whole time to this work and lay before Congress the result of their investigations.

This plan is followed in business. Our largest industries keep experts at work all the time finding out the facts on which every branch of their trade depends. They send such men to all parts of

the country and world to learn about new resources, trade conditions and everything which helps them to do their business wisely.

Again, when a court of equity must hear a cause where large and varied accounts are to be examined, or where masses of testimony are to be taken and shifted, the chancellor appoints a special commission to find out these widespread and mixed-up facts and lay them before the court classified and summarized.

Conditions have compelled us to do the same thing in government. For example, Congress created the Bureau of Corporations for this purpose. After years of thorough work by this bureau no man in any party proposes to destroy it, or stop its labors. The same is equally true of the Bureau of Labor.

The Senate some months ago ordered an investigation by these experts of a certain great trust. When it was proposed to stop this investigation the Senate, after full debate, refused to do so. Again, a few months ago the President sent a commission to Goldfield, Nevada, to find out the facts about the strike at that place, so that he could know whether to keep the nation's soldiers there or not; and everybody agreed that this was wise and necessary.

Again, Congress created the Industrial Commission to find out certain facts. The report of this commission and those of the Interstate Commerce Commission resulted in the law for the Department of Commerce and Labor, the Bureau of Corporations, the Elkins law, the Rate law, the Immigration law, and most of the reform laws of the last six years.

Again, Congress created the Merchant Marine Commission to find out the facts about our shipping and carrying trade; and while nothing has been done, yet we have the facts. Whether upon these facts Congress may think it wise to do nothing or to do something, still Congress has no longer the excuse of ignorance.

Again, more than twenty years ago a law was passed establishing the Interstate Commerce Commission. During most of its existence its duties have been chiefly and still largely are the finding of facts which Congress could not find—facts about rates, discriminations, and the like. No man in any party now proposes to abolish that commission or curtail its powers.

But if we thought it wise for the President to send a commission to find out the facts in so simple a matter as a strike at Goldfield; if it is wise for a chancellor to appoint special examiners and

commissioners to find out and report the facts in single cases; if the Senate directs the Bureau of Corporations to find out the facts about the doings of a single trust in a single branch of its activities; if Congress creates a body of men to find out the facts about any great business which the President thinks should be investigated, and if its work is so wise that no man in any party asks that that work be stopped, how much more should we create a body of men, specially fitted for the work, to find out the facts about our tariff, which is more important, more intricate, more difficult than all these other things put together.

If we provide experts to find out the facts about things which have to do with comparatively few of the people, how much more should we provide experts to find out the facts about a thing which has to do with all of the people. If we take such measures to learn the truth about matters which are easy to learn, how much more should we take similar measures to find out the truth about a matter that is hard to learn.

If it be said that we have no right to know the facts about any business, the answer is that when that business asks for protective duties, we can fix those duties only by knowing the facts about that business. If we fix duties only by what that business says it wants, its managers would be fixing its own tariff instead of our fixing its tariff. Its managers would be making a tariff law for themselves instead of Congress making a tariff law for the people. Would it not seem that any business or any man who is against the plan of having experts find out the facts, does not want the facts found out.

Our tariff covers thousands of items. Whether duties should be placed upon these articles is a question of fact. The amount of the duty is an even harder question of fact. Heretofore we have forced committees of the House and Senate to find out these facts. These committees do not work at the task all of the time. They work at it only when the tariff is being revised, which is about once in every ten years. Even then these committees work for but a few months, and only part of the time during these few months. That part of the time during these few months is not given wholly to the task of finding out the facts, but also to the fixing of duties upon these facts, considering how each of these duties affects the others, how each of them taken alone and all of them taken together



affect our foreign and domestic trade, and all of the other things that must be thought of in making a tariff.

For example, the Committee on Ways and Means of the House that framed the Dingley bill reported that bill the nineteenth day of March, 1897, so they did all the above work in less than three months. The Committee on Finance of the Senate took this bill and reported it back on the 4th of May, 1897, so the Finance Committee did all its work in six weeks.

Again, the Committee on Ways and Means of the House that framed the McKinley bill reported that bill the sixteenth day of April, 1890, doing the work in less than five months. The Committee on Finance of the Senate took this bill and reported it back the seventeenth day of June, 1890, so the Finance Committee did all its work in two months.

Again, the Committee on Ways and Means that framed the Wilson bill reported that bill the 19th of December, 1893, so they did all the work in a little over four months. The Committee on Finance took this bill and reported it back the twentieth day of March, 1894, so the Finance Committee of the Senate did all this work in three months.

Compare this with the work of other Senate committees. On January 27, 1904, the Senate instructed the Committee on Privileges and Elections (one of the ablest committees of the Senate) to investigate the case of Reed Smoot, a Senator from Utah. Two years and six months later that committee made its report. Of these thirty months some members of the committee were at work all the time; and the full committee worked in actual session six solid months. The committee was aided by associations and persons who employed attorneys, detectives, etc., to look up facts and find witnesses.

If it took a Senate committee two years and six months working in some form all the time, and working steadily as a full committee six solid months to find out the facts in a single phase of the life of a single Senator, as was true in the Smoot case, how could a House committee, working part of the time for a few months and a Senate committee working part of the time for a few weeks, find out all the facts about all the articles in our tariff on which that committee fixes duties?

Is it not plain that these committees, no matter how able, wise

and industrious, were overworked? Is it not asking too much of any man to crowd so much labor into so short a space? Is it fair to those committees? Is it fair to Congress? Is it fair to the thousands of American industries which, in their business, are affected by the tariff? Is it fair to the 90,000,000 of the American people who, as consumers, are affected by a tariff?

But not only are these committees forced to do this vast work in this brief time, but the members of these committees must do other heavy work at the same time.

For example, the present committee of the Senate which must do the Senate work of tariff revision is presided over by Senator Aldrich, but he is also a member of the committees on Interstate Commerce, Rules, Cuban Relations, etc.

The other members of the Senate committee are:

The Senator from Maine (Mr. Hale), but he is also chairman of the Committee on Naval Affairs, a member of the committees on Appropriations, Philippines, Census, Canadian Relations, etc.

The Senator from New York (Mr. Platt), but he is also chairman of the Committee on Printing and a member of the committees on Naval Affairs, Interoceanic Canals, Civil Service, etc.

The Senator from Iowa (Mr. Allison), but he is also chairman of the Committee on Appropriations, etc.

The Senator from Michigan (Mr. Burrows), but he is also chairman of the Committee on Privileges and Elections, a member of the committees on Naval Affairs, Philippines, Post Offices and Post Roads, etc.

The Senator from North Dakota (Mr. Hansbrough), but he is also chairman of the Committee on Public Lands and a member of the committees on the District of Columbia, Agriculture and Forestry, Irrigation, Library, etc.

The Senator from Pennsylvania (Mr. Penrose), but he is also chairman of the Committee on Post Offices and Post Roads and a member of the committees on Commerce, Education and Labor, Immigration, Naval Affairs, etc.

The Senator from Illinois (Mr. Hopkins), but he is also chairman of the Committee on Enrolled Bills and a member of the committees on Commerce, Census and Interoceanic Canals.

The Senator from Virginia (Mr. Daniel), but he is also a

member of the committees on Appropriations, Education and Labor, and is chairman of the Committee on Public Health.

The Senator from Colorado (Mr. Teller), but he is also a member of the committees on Appropriations, Philippines, Pensions, Mines and Mining, Geological Survey, and is chairman of the Committee on Private Land Claims.

The Senator from Mississippi (Mr. Money), but he is also a member of the committees on Foreign Relations, Railroads, Agriculture and Forestry, etc.

The Senator from Texas (Mr. Bailey), but he is also a member of the committees on Rules, Census, Irrigation, etc.

The Senator from Florida (Mr. Taliaferro), but he is also a member of the committees on Military Affairs, Coast Defenses, Interoceanic Canals, Cuban Relations, Post Offices and Post Roads, Pensions, and the Census.

We must suppose that each of these Senators attends to the work of every committee on which he is a member—otherwise why is he a member of those other committees? The same is true of the members of the Ways and Means Committee of the House. But it may be said further that an examination of their occupations does not show that the Ways and Means Committee of the House or the Finance Committee of the Senate are especially fitted by their occupations and life-work to act as experts in finding out the facts or arranging the classifications.

A list of the members of the Ways and Means Committee of the House of Representatives who framed the Dingley bill, shows that every member of that committee at that time, with two exceptions, was a lawyer; one was an editor and one was a wood manufacturer.

Take the present Ways and Means Committee of the House. A mere reading of their names and their occupations in the Congressional Directory does not disclose that they are especially fitted by their life-work for economic investigation—all of them but two are lawyers, one is a lumberman and one has no occupation at all.

But this is not all. Each one of these Senators and Representatives is busy with politics in his own state. Some of them are leaders of their party. Some of them are lawyers in active practice. Some of them are managers of great business interests. But suppose that not a man of them did anything in politics, business,

or law. Suppose every one of them were to quit all his work in the Senate and in the House except the work of the Finance Committee of the Senate and of the Committee on Ways and Means of the House. Suppose, for example, the Senator from Iowa (Mr. Allison) were to leave his tremendous duties as chairman of the Appropriations Committee; suppose the Senator from Maine (Mr. Hale) were to leave his duties, so delicate and so complex, as chairman of the Naval Affairs Committee; suppose that every member of this committee were to abandon every duty to which he is assigned on the other committees of the Senate and were to devote his entire time for the few months during the short period when the tariff is revised to the sole work of finding out the facts concerning thousands and thousands of articles, of fixing the duties on those articles, of considering their effect on domestic and foreign trade, on the producer and consumer, and all the other things, would it not be difficult for them to do that?

These committees have hearings, sometimes private, sometimes public. At the public hearings the committee rooms overflow with representatives of various interests. The private hearings are equally congested. Both are rushed and confused. At these hearings there is no time, no opportunity, to go into any one subject thoroughly; to test the statements there made; to verify supposed facts.

If any interest wishes to get an unjust rate of duty, the hurry, confusion, incompleteness of these hearings give that interest the chance; and the still greater hurry and difficulty of fixing the duties themselves adds to that chance—all this, of course, without any member of the committee knowing or intending to aid such an interest in such a way.

The most honest and alert man could not possibly prevent or even know about incorrect statements; and the best of men might be excused from making a tariff rate which they did not intend to make and which, had they known all the facts, they never would have made.

The whole work of these committees is rushed. Business waits to know the new duties; and so the committees are driven at greatest possible speed. How easy in this necessary haste for certain interests to get unjust rates without the committee knowing that they are unjust, as well as for the committees themselves to make mistakes both of fact and judgment.

Direct and positive evidence of the impossibility of a committee of Congress finding out the facts in the brief hearings which were given to various interests is furnished by the Hon. Sereno E. Payne, chairman of the Ways and Means Committee of the House. In a work entitled "The Making of America," Mr. Payne contributed an article on "The Tariff and the Trusts." In this article he says:

\* \* \* \* \*

But let us first consider the history of trusts in the United States.

\* \* \* \* \*

Perhaps as good an example as we can find of the earlier form of a trust is in "The Sugar Refineries Company," which was formed in 1887. The facts in respect to this company have been pretty thoroughly investigated in an action brought by the people of the State of New York against the North River Sugar Refining Company, which was one of the original parties to the deed of trust. This case is reported in full in 121 New York Reports, page 582. There were seventeen sugar refining companies which entered into this combination. Some of these companies were co-partnerships, others were incorporated.

Then follows a long and detailed account of the Sugar Trust, and Mr. Payne goes on:

Here, then, was a trust, pure and absolute, formed by these seventeen companies. Each put its property, and endeavored to place its franchise, under the control of a board which was to hold the property as joint tenants and as trustees, but had the power of absolute control. It was a trust pure and simple. . . . The board of trustees, formed as we have seen—[and now we come to the making of the tariff upon this matter]—forget to carry out the original intention of the deed of trust. They did endeavor "generally to promote the interests of the parties hereto" with a vengeance, but they evidently did not keep the price of sugar as low as was consistent with reasonable profit. Notwithstanding the enormous watering of stock, dividends unheard of before were declared and paid upon the certificates issued by this board of trustees. As the product of this combination was a necessary of life required by every class of people, the excessive profits demanded soon called the attention of the people to the existence of this monopoly. Nobody objected to refining sugar in this country. Indeed, there was every reason why this business should be carried on exclusively in the United States in order to supply our markets. The object of forming the sugar schedule of the tariff in 1890, and again in 1897, was to learn, as nearly as possible, the exact cost of refining sugar, and then to adjust the tariff as to protect the labor interests, and no more. Investigation into this subject proved very irksome and troublesome. It was impossible to get at the exact facts, as the experts were not inclined to reveal the secrets of their business to the Committee on Ways and Means. Different statements were made as



to the cost of refining by different refineries, and then the best that could be done was a compromise rate for the differential duty between raw and refined sugar.

If it is said that, no matter how hard the work nevertheless these committees actually have done it in the past, one answer is suggested in the bills which these two committees reported when the tariff was last revised. I have carefully gone over the bill that Mr. Dingley reported to the House and which the House passed, also the bill which Mr. Aldrich reported to the Senate, and have tabulated the duties which these two bills fixed on the same articles. The duties fixed on most of them by the House bill differ widely from those fixed by the Senate bill, and in many cases the differences are so wide apart that they are startling.

For a few examples see table on following page.

In the cotton and woolen schedule, the steel and iron schedule, and the glass schedule the House and Senate differ on numerous items. Frequently the House fixed specific duties, the Senate ad valorem duties. Sometimes the House and Senate put articles on the "free list" and the conference committee put heavy duties on these very articles. Sometimes the conference committee disregarded the duties of both Senate and House and fixed different duties and on a different basis; yet the conference committee was in session only five days.

Could the Senate and House committees have had the same information? If so, why these wide differences? If they had the same facts, how could the divergence in their judgment as to what duties ought to be fixed on those facts have been so great as the examples I have given? Remember that the members of these committees were experienced, able, careful men, and a majority of each committee were high protectionists. What explanation can there be except that these two committees were differently informed, or insufficiently informed, or both? Had these facts been carefully gotten up by a body of expert men, specially fitted for that work and with plenty of time to do the work, could there have been these astounding differences?

But as serious a matter as finding out the facts, fundamental as that is, is the matter of classifications. Most of the classifications of the present law are over a generation old. Very few of them are modern and up to date. The reason of this is that when

## DINGLEY BILL IN HOUSE AND SENATE.

Article.	Duty fixed by House Committee.	Duty fixed by Senate Committee.	Difference. Per cent.
Borax.....	2 cents per pound...	5 cents per pound...	150
Borate of lime.....	2 cents per pound...	4 cents per pound...	100
Boric acid.....	3 cents per pound...	5 cents per pound...	66½
Fusel oil.....	½ cent per pound...	¾ cent per pound...	100
Opium.....	\$6 per pound.....	\$8 per pound.....	36½
Nitrate of lead.....	2½ cents per pound...	1½ cents per pound...	66½
Phosphorus.....	20 cents per pound...	10 cents per pound...	100
Soda ash.....	¼ cent per pound...	⅜ cent per pound...	50
Sea moss.....	Free list.....	10 per cent.....	.....
Unmanufactured pumice stone.....	20 per cent.....	10 per cent.....	100
Spectacles, eyeglasses, etc., of a certain value, but not over 75 cents a dozen.	25 cents per dozen and 20 per cent.	40 cents per dozen and 20 per cent.	*60
Coral and spar.....	25 per cent.....	50 per cent.....	100
Railway fish plates or splice bars, iron or steel.	½ cent per pound...	¼ cent per pound...	25
On certain knives.....	50 cents per dozen...	Duty omitted.....	.....
On other knives.....	75 cents per dozen...	Duty omitted.....	.....
Razors and razor blades of a certain value.	\$1 per dozen and 15 per cent.	50 cents per dozen and 15 per cent.	*100
On razors and razor blades of a different value.	\$1 per dozen and 15 per cent.	\$1.75 per dozen and 20 per cent.	*75
Scissors and shears of a certain value	50 cents per dozen and 15 per cent.	15 cents per dozen and 15 per cent.	†*333½
Files of a certain length.....	30 cents per dozen...	50 cents per dozen...	66½
Files of a different length.....	60 cents per dozen...	\$1 per dozen.....	66½
Planed or finished lumber.....	50 cents per M feet.....	35 cents per M feet.....	42½
On the same, if planed on one side and tongued and grooved.	\$1 per M feet.....	70 cents per M feet.....	42½
Toothpicks.....	2 cents per M and 15 per cent.	1 cent per M and 15 per cent.	*100
Sugar cane, unmanufactured.....	20 per cent.....	10 per cent.....	100
Saccharine.....	\$2 per pound and 15 per cent.	\$1 per pound and 10 per cent.	†*100
Chicory root.....	1 cent per pound...	Free list.....	.....
Cocoa butter.....	6 cents per pound...	3½ cents per pound...	71½
Substitutes for coffee.....	1½ cents per pound...	2 cents per pound...	33½
Still wines.....	60 cents per gallon...	30 cents per gallon...	100
Certain cotton cloth.....	8 cents per square yard.	6½ cents per square yard.	23½
Stockings, hose etc., of a certain value.	50 cents per dozen pairs and 15 per cent.	60 cents per dozen pairs and 15 per cent.	*20
Tow of flax, retted.....	\$22.40 per ton.....	\$11.20 per ton.....	100
Floor mattings.....	8 cents per square yard.	4 cents per square yard.	100
Carpets of a certain value.....	6 cents per square yard and 35 per cent.	10 cents per square yard and 35 per cent.	*66½

\* In the specific part of the duty.

† And 33½ per cent in the specific part of the duty.

‡ And 50 per cent in the ad valorem part of the duty.

the committees come to revising the tariff in the great hurry I have shown has always existed and must exist, they were engrossed with the question of fixing duties, and so they took the language of the old classifications.

The result of this is that the importer very frequently does not know in what classification his import falls or what duty he pays. He must go first to the appraiser, who decides the question for him, and then, if dissatisfied, to the Board of Appraisers, and,

if still dissatisfied, to the courts. In the last ten years since this law was enacted there have been 300,000 such cases decided, and 600,000 begun.

These boards of appraisers and the courts, by deciding a classification to which any import belongs, are legislating every day, just as much as Congress legislates when it fixes the duties.

And worse than this, these contests have cost the government and the importers millions of dollars; worse than this, this fact has lost to the importing industries many more millions of dollars; and far worse than all this, the industries thus affected have been confused, disturbed, and uncertain; and far worse than all this, the whole cost must fall upon the entire body of the American people, from whom the revenue is raised to pay the expenses of the government.

I should not myself care, if the imports were merely used by people who prefer foreign goods to American goods, how much they paid; but remember that more than two-thirds of all of our imports are for the use of American manufacturers, who work these imports up into finished products and then sell them here or abroad.

For want of an up-to-date and scientific classification there have been the most amazing varieties of articles arbitrarily classified by boards and courts which in doing it are legislating in the most astonishing way. I will give a single illustration. Section 193 of the Dingley law reads as follows:

"Articles or wares not especially provided for in this act, composed wholly or in part of iron, steel, lead, copper, nickel, pewter, zinc, gold, silver, platinum, aluminum, or other metal, and whether partly or wholly manufactured, 45 per cent ad valorem."

Under that paragraph our customs officers have subjected to the 45 per cent ad valorem the following articles: Stoves, implements, electrical apparatus, andirons, gold and silver boxes, tin or brass boxes, brass ball chains, brass buckles, brass tubes for bedsteads, brass wire, brass sheets, brick trowels, britannia metal ware, bronze crosses for churches, bullets, bull's-eye lanterns, buttons with metal shanks, cabs, carriages, carts, buggies, trucks, railway cars, automobiles, candelabra, cannon, metal capsules, iron castings, cast-steel tools, chafing dishes, chisels, church bells, coal scuttles, curry-combs, compasses, nails, copper spikes, copper wire, cranks and shafts, curriers' knives, daguerreotype plates, drawing instruments, dress trimmings in which metal is the material of chief value, em-

bossing dies, engravers' tools, enameled portraits, metal eyelets, pistols and other firearms, fluoroscopes, and metal foil.

These are only a few instances taken from an alphabetical arrangement of the tariff decisions, and I only got through letter F. It can be easily imagined to what extent these instances can be multiplied by going through the entire alphabet for the decisions under that paragraph alone.

Will anyone contend that a simple article like nails or wire necessarily requires the same amount of protection as so complex a mechanism as a revolver or an electric dynamo?

Is there any logic in classing buttons and stoves together?

Should bullets and buggies, should automobiles and bull's-eye lanterns pay the same duty?

Are farm implements and gold boxes in the same class?

Is there any connection between carriages and dress trimmings?

Why classify railway cars and enameled portraits together?

Why should cannon for war and crosses for churches be put in the same class?

Yet all these are in the same classification and pay the same rates.

But more absurd than this is the fact that they are put in the same classification by the appraisers and the courts, passing on each article because Congress did not classify them at all.

And as outrageous as it is absurd is the fact that nobody knew what duties these articles would have to pay until the guess of the appraisers and the courts filled up the holes in the law.

Compared with the scientific, clear, accurate classification of the German schedules, for instance, our classifications are confused, uncertain, chaotic. The German tariff places each article exactly where it belongs, plainly specifies it and fixes the duty to be paid on it in a marginal column so that every nation who sells goods to German producers and every German producer that buys goods from other nations knows precisely the duty that must be paid on almost every article. Of course, cases arise in Germany where the classifications of some articles are open to dispute; but such cases are rare compared with like cases in our tariff. In short, the German classification reduces confusion and doubt to the minimum; our classification raises confusion and doubt to the maximum.

How did Germany make her tariff classifications so much

clearer, simpler, and more accurate than ours? By the common-sense plan of having an expert commission arrange these classifications. But that was only a part of the work of the German commission. Years ago Germany saw that only a body of experts could get the facts and arrange the schedules for her tariff; she saw that the only work which the Reichstag could do was the fixing of duties to the items, the facts about which the expert commission found out and laid before the Reichstag. So Germany selected for this work thirty of the best fitted men to be found in the empire.

This commission consulted more than 2,000 trade and industrial experts. It investigated every phase of every industry in the empire which might bear upon the tariff. It considered all these industries both separately and in relation to the others. It carefully studied the tariffs of other countries. It gave due weight to Germany's export trade. In short, everything that goes into the making of a tariff was worked out to the smallest detail by this German expert commission. It spent almost six years at this work. It would not be necessary for our commission to work so long. For the German commission framed the bill; the general government then sent it to each state forming the German Empire, those states took a year to consider it, and then it was returned and a copy of the revised bill sent to every productive industry in the empire. It may be said that the German commission worked perhaps two years and a half on the labor which I am proposing our commission shall do. They laid the results of this work before the Reichstag, and upon that work Germany built her present tariff.

Japan, France, and other up-to-date countries follow the same plan. They came to see, as we are coming to see, that in no other way could a tariff be builded with knowledge and wisdom. By this plan and by maximum and minimum tariff the foreign trade of Germany has passed every other country, comparatively speaking.

The German Empire, with an area nineteen times smaller than the United States, and much of its land poor and unproductive, and with a population less than two-thirds as great as ours, nevertheless exports more than one and a half billion dollars' worth of German products, more than two-thirds of which are manufactured articles, whereas we export \$1,717,953,000 worth of products, most of which are raw material.

Only \$460,000,000, or 27 per cent, of our exports are manu-



factured articles, and \$226,000,000, or 13 per cent, are semi-manufactured articles, and of these, nearly all are steel, copper and petroleum, requiring so little skilled labor that they may be called raw material.

So we see that German exports of manufactured products are far greater than our own, and if our superior advantages in population and resources are considered their lead is astonishing, humiliating. It is her foreign markets that give Germany her industrial prosperity. Indeed, it is her foreign markets which enable Germany to live. The time is here when foreign markets for our manufactures are becoming almost as important to American industry as they are to German industry. This one fact alone commands us to take the same up-to-date, scientific steps with our tariff that Germany has taken with her tariff.

Only two objections are made to a permanent tariff commission. The first is that it is the business of Congress to do this work; but this whole paper has been an attempt to show that Congress cannot do this work and has not done it. With the growth of our trade and the enormous increase in the number of items covered by our tariff, everybody who knows anything about this subject knows very well that Congress cannot do this work in the future.

The second objection is that we once had a tariff commission, but that it amounted to nothing. We are told that Congress paid no attention to it. The answer to this is that the exact reverse of these statements is the truth.

It is a fact of history that the first and only scientific classification of the tariff schedules ever made in America was made by the Tariff Commission of 1882, and that classification adopted by Congress remains, with a few changes, to this day. The present classification is in substance the classification made by the Commission of 1882, with some detailed additions and some detailed subtractions; but the classification itself as a scheme of a tariff is kept practically intact to this day.

Every substantive recommendation of that commission was the foundation of nearly all our tariff laws since, such as the customs court, the administrative laws of the tariff for the Treasury Department; and its classification was the first scientific classification ever made in this country.

The classifications recommended by that commission were

adopted as a scheme practically intact, and Congress even adopted the enormous majority of the duties recommended by the commission. This is merely a condensation into one sentence of what will be found by comparing the bill reported by the Commission of 1882 and the bill adopted by Congress in 1883.

And finally, a recent example—indeed, one immediately before our eyes—is absolutely unanswerable proof of the necessity of a tariff commission; proof, too, furnished by some of those who are the strongest foes of expert commission work in framing tariff laws. I refer, of course, to the present monetary commission. If it is necessary for a commission to investigate financial systems in order to devise a better one for ourselves, certainly the same process is even more necessary for the complicated, intricate and involved problems of a tariff. After all, the financial systems of the great commercial countries of the world are not profoundly dissimilar; they dovetail one into another without serious difficulty. But tariff systems do not adjust themselves so easily; indeed, they do not adjust themselves at all. They must be framed with precise and scientific reference to the tariff system of every other nation.

At the last session of Congress, when it was doubtful whether the new currency law could pass the Senate, I suggested to Senator Aldrich that he agree to a monetary commission to study the whole subject, and thus insure a thorough-going, business-like and scientific reform of our monetary system. Together with many other Republicans, I was not at all satisfied with the currency measure passed by the last session. It was at best a makeshift, as its principal advocates admitted—a mere temporary measure designed to tide the patient over a possibly critical period. It recognizes principles to which I, in common with many other Republican Senators, did not feel like committing myself without more exhaustive study, it refused to recognize other principles which some Senators did not feel like rejecting without more exhaustive examination.

In this state of uncertainty and with the plain fact before us that unless something further was done this measure would delay any sound and thorough-going financial reorganization, many of us hesitated to vote for it, but I thought that if a commission were appointed to explore the whole subject and report to Congress a comprehensive recommendation, any possible evil in this temporary

financial makeshift (the new currency law) would be minimized; while if this new currency law was not passed at all, there might be a danger of a brief recurrence of the recent panic. Possibly the new currency law will prove a success; but everybody admits that it is not a permanent solution of our financial problems.

To the suggestion of a currency commission, Senator Aldrich assented. Accordingly this was confirmed of record in open Senate; I asked Senator Aldrich in debate whether he would consent to such a commission, and he immediately replied with great frankness that he would and that he would expect such a commission to be authorized before Congress adjourned. Accordingly, such a commission was afterwards created.

This commission is a clinching proof that a tariff commission also should be appointed. Yet serving on this commission are several men bitterly hostile to a tariff commission—notably Senator Hale. Senator Hale is determined and aggressive in his opposition to a tariff commission; yet he not only favored the monetary commission, but consented to become a member of it; and not only that, but also is one of the most active, if not the most active member of the sub-committee of the commission now visiting Europe. Other examples might be given.

These men and many others like them frankly state their purpose to fight a tariff commission to the last ditch, yet here they are serving on a monetary commission. Some of this monetary commission are said to be at work upon our general tangle of financial legislation at home; others are in Europe, where they are supposed to be working night and day gathering information about the financial systems of the more advanced European countries. And yet every student knows that the facts necessary for the making of a tariff are harder to obtain and the various difficulties presented by customs laws far more numerous than those presented by a financial system, and equally delicate. Everybody knows, too, that all the financial laws of Canada and the various European countries are printed and available to any American student—certainly to any American commission that has the money to employ a translator. So are the debates, pamphlets, books and indeed the whole literature of the subject.

But in the case of the tariff, while the various tariff laws of other countries are at the disposal of the American student as much

as their financial laws, the facts relating to manufacture, labor, transportation and dozens of other matters equally important cannot possibly be obtained without expert investigation. So, if the monetary commission was advisable—and I heartily favor it—it is clear that the tariff commission is equally so—yes, far more so, to put the comparison very moderately indeed.

The truth is that the permanent tariff commission for which my bill provides is the most moderate legislation of this kind which Congress ought to think of passing. Scientifically speaking, a much more thorough commission with larger powers ought to be provided for. But a step at a time—until Congress is forced to a more sensible view of the business necessities of the American people we cannot hope for a really scientific, comprehensive tariff commission—one that would examine schedules and suggest rates; one that would constantly examine classifications and properly and scientifically modify them; and one whose recommendations as to rates and classifications Congress would follow after a business-like examination and without any playing of politics or partisan log-rolling. Indeed, it is a question whether much larger powers than these should not be given to a permanent commission. Three or four months after I introduced my tariff commission bill, Senator LaFollette introduced a bill which embraces all possible powers that a commission ought to have. There may be some question whether some of its provisions are practicable and advisable; but, on the whole, the LaFollette bill will repay the careful study of any one who is giving serious and modern-minded attention to this grave question.

I shall not go into the tariff question as such. Whether any man favors a purely revenue tariff, a straightout protective tariff, or any other kind of a tariff, Congress cannot do without this body of experts to help it with facts and classifications. Yet one brief word should be said at this moment about our tariff policy. We must have more foreign trade. We must open foreign markets to our live cattle, which are now kept out of those markets.

Our government should get the same advantages for American manufacturers in foreign trade that the German Government gets for German manufacturers in foreign trade.

American producers demand that the doors of other nations which are open to their rivals shall no longer be closed to them.

We cannot open these doors by a purely revenue tariff, because such a tariff gives other nations trade advantages with us without getting from those other nations any trade advantages in return.

We cannot open these doors by a purely protective tariff, because such a tariff gives other nations no trade advantages with us, but neither does it get any trade advantages from them.

We must have a system that gives us the same weapons that our rivals have, by which we can get for our producers the same favors that our rivals get for their producers.

We must have a double tariff, the first to apply to such nations as will not give our producers special favors in their markets, and the last to apply to such nations as will give our producers special favors in their markets.

When this demand was first made in Congress during the recent session we were met with arrogant refusal. Yet, within two months the statement was made on the floor of the House that when the tariff is revised it shall contain the maximum and minimum principle.<sup>1</sup>

Every up-to-date nation, except Great Britain and ourselves, has now adopted the maximum and minimum tariff plan; and the agitation for this plan has begun in Great Britain.

<sup>1</sup>The fight in the last session for modern tariff methods resulted in considerable progress, when we consider the fierce hostility to any change in our tariff procedure. We were told that there would be no revision of any kind—that position we overcame; that a double tariff would not be tolerated—that position we overcame; that no investigation during adjournment would be made—that also was abandoned and the Ways and Means Committee of the House was instructed to hold hearings; that experts would not be employed—but a compromise was accomplished by which the Finance Committee of the Senate is authorized and directed to employ experts from the executive departments of the government.

When my tariff commission bill was introduced, its best friends believed that nothing whatever could be accomplished; I, myself, felt that no progress could be made at the last session. All of us considered our efforts as the *beginning* of a long fight and nothing but a beginning. But public opinion crystallized so rapidly that Congress was forced to do something and the above points were yielded, reluctantly and one by one.

Great organizations of producers agitated the question all over the country. The National Association of Manufacturers—the greatest organization of manufacturers in the world—was especially effective. Indeed it may be said that this remarkable body of American business men head the fight among the people. The National Stock Breeders' Association, The National Grange, scores of commercial bodies all over the land heartily joined and worked tellingly for this plainly-needed and common-sense reform. It was the *first* time in our history that farmers and manufacturers, stock raisers and merchants ever united on any tariff proposition.



By it German producers are, comparatively speaking, selling more German goods abroad than any other nation.

Canada has just enacted a triple tariff; by this she has gotten a practical monopoly of her live stock in the markets of France.

Only Great Britain, Persia, Abyssinia and China now have purely revenue tariffs; only the United States and a few South American countries now have straightout protective tariffs.

Our rivals followed our plan of a single protective tariff and then logically developed that plan into a double protective plan. We must be as wise now as they were then; and just as they took the single protective plan from us, so now we must take the double protective plan from them. Our manufacturers, our cattlemen, our agriculturists, our miners, all our producing classes ask only the same advantages that their rivals have in the markets of the world. They demand no more than this; they will accept no less.

The conclusion of the whole business is that we must have a permanent tariff commission; and that our tariffs should be builded upon the information, classifications and general advice which this commission gives to Congress; and that during our next tariff period we must have a maximum and minimum tariff. It is too bad that under our constitution the autonomous conventional tariff of Germany is a practical impossibility. Next to the German tariff trade system, the maximum and minimum tariff is the best.

## IMPORT DUTIES: HOW THEY SHOULD BE LEVIED

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BY D. A. TOMPKINS,

President, D. A. Tompkins Company, Charlotte, N. C.; member of United States Industrial Commission, 1899-1900.

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Under our form of government the principal sources of funds to cover the expenses of government are import duties, commonly referred to as the tariff. If this source of money should be cut off we would be very much embarrassed under the constitution to raise the necessary money to pay the expense of government. The amount of money necessary to be raised to cover the government expenses, which, of course, include the army and navy, has been an increasing one from the foundation of the government, but at the present time, generally speaking, and taking the average of the last few years, this sum aggregates something like a billion dollars a year, part of which is raised by internal revenue on whiskey and tobacco and otherwise, the bulk of which is obtained from the tariff on imported goods. It matters not whether the tariff is so laid as to protect certain domestic industries which need protection or whether it is laid upon products which are not raised in this country, the aggregate sum must remain about the same. Many people talk as though free trade would mean that we would pay no duties or less duties. This is not true, but it might mean that we would pay duties upon tea and coffee which are not raised in this country in preference to cotton yarns and cloths which are made in this country.

No party which is charged with conducting the United States Government could possibly have free trade. No party could materially diminish the quantity of money necessary to be raised annually to operate the government. The one question unsolved is whether the tariff shall be laid in a way to protect American industries, or whether it shall be laid upon articles we do not manufacture and thereby leave certain industries, both in agricultural and manufacturing lines, to the vicissitudes of competition with established business in Europe and elsewhere, and of cheap skilled labor in Europe and elsewhere. It would seem hardly probable that with a fair

understanding of the subject any one could offer to put American cotton yarns or American cotton cloths upon the free list and raise the money now derived from a tariff upon these articles by putting a tariff upon tea and coffee.

Yet there is very considerable dissatisfaction about the tariff. The basis of this dissatisfaction would seem to be that there is no systematic manner of ascertaining by judicial investigation, upon what articles and in what amounts the tariff should be laid. When the government was first founded the constitution provided that inventive genius should be stimulated in America by giving patents for new and valuable ideas. In the early days of the republic there was no patent office, no commissioner of patents, no force of experts to investigate the merits of a new invention. When Mr. Eli Whitney applied for his patent upon the cotton gin, President Washington handed the papers to the Attorney General to examine. Having been advised that the idea seemed a new and valuable one, the President directed his Secretary of State to prepare a patent, which was done. Three different executive officers of the government, to wit: President, Secretary of State and Attorney General, signed the patent. Let us suppose that the President of the United States should at the present time attempt to handle the patent subject and that he should require the Secretary of State and Attorney General to join him in investigating and issuing patents. It is evident that he would never do any other business except examine patents and that the three of them could not get through with 5 per cent of the business. There is now a commissioner of patents, charged with the organization of a force of expert men, whose duty it is to make a proper and full and careful examination of every application, and none doubts that in each separate case the conclusion arrived at is approximately correct. This is a subject upon which vested interests are naturally critical, but the patent office is so handled under the commission and by the experts that the loser is tolerably well satisfied in every case with the result and verdict.

In the early days of the republic the tariff was handled very much as the patent business was. Alexander Hamilton, who is the foster father of the protection idea in America, would make up a list and go over it with the President and Secretary of the Treasury and a few prominent members of Congress, and come very nearly getting a proper and satisfactory tariff list. We con-

tinue this unsystematic method even to the present day, while interests have multiplied many fold and the variety of industries has increased many fold. We are still expecting a small committee of Congress to make a tariff list in about a month. There are approximately 4,000 items on the tariff list. No rational man would possibly hold that a committee of Congress in a month or six months could handle these items with any degree of intelligence or that their conclusions would be approximately what would serve the best interest. Under the present system some of the trusts get many times more than they are entitled to, while some wholesome industries get less than they are entitled to. Times so change that certain items need revision every six months. Certain other items would not need revision in six years. Sweeping changes along the whole list at any time mean disturbance of the whole industrial condition of the country.

The proper system would seem to be more or less similar to that which has been developed for handling patents. If we had a semi-judicial commission with a corps of experts and a big official building to be called the tariff office like the patent office, and one subject at a time was put into the hands of the experts in the department suited to that item, then upon the basis of its findings, Congress might well make a tariff that would at the same time:

- (1) Raise the revenue necessary to run the government, and no more than was necessary.
- (2) Protect each industry, and no more than protect it.
- (3) Protect American labor, and no more than protect it.
- (4) By the reduction of duties remove the unnecessary and extravagant protection from articles manufactured by combinations and trusts.

Such a tribunal might recommend raising as well as lowering the tariff, and through such a tribunal corrections of the tariff list could be carried on at all times and would never upset the country by wholesale revision all at once.

There is an impression that the manufacturer gets all the benefit of protective duties. If duties are properly laid, no one gets more benefit than the farmer. Omitting the case where the article which he raises is protected, as, for example, in the case of sugar and wool, yet in every case the farmer gets indirect benefits which even exceed those derived by the factory itself. Fifteen years ago the

price of cotton throughout the South was five cents per pound. To-day the price exceeds ten cents per pound. The building of factories has contributed to this increase in the price of cotton more than any other one cause. The manner in which the factories have done this is as follows:

- (1) They have drawn labor out of competition of cotton production into the factories.
- (2) The factories have increased the consumption of cotton.
- (3) The factories have made markets for perishable farm products.

Therefore the little protection given to cotton yarns and cotton cloths not only helps to support and maintain the manufacture of these in America, but goes directly to double the price of cotton.

Considering the necessity of raising the bulk of the expense money for the government by the tariff, the talk of free trade is more than idle. Clearly the idea of a prohibitive tariff would be foolish. If we should divide the American public into four parts according to opinion on this subject of free trade and tariff, not more than 10 per cent would stand for free trade. Probably 40 per cent would stand for a tariff for revenue, which incidentally protected American industries. Probably another 40 per cent would stand for tariff for protection which incidentally raised the necessary money to pay the government expenses. Probably 10 per cent would be for prohibitive tariff. In the face of this division, that 40 per cent which stands for revenue with incidental protection follow the lead of the 10 per cent free traders. That other 40 per cent which stands for protection which incidentally raises revenue follow the 10 per cent of prohibitive tariff leaders. In reality the difference between the two greater divisions is not so much as between "tweedledum" and "tweedledee," and yet the two sets of extremists keep these divided. With a semi-judicial commission this would disappear. The controversy by the public over the subject of tariff would disappear, because the results of the judicious investigation and intelligent study of each subject by experts would give results in each case that none of us could controvert.

The institution of slavery as it grew in the South dried up industrial interests. It gradually brought the South to a condition of agricultural activity handled by slave labor. In this situation, with no industrial interests to protect and no particular class of



labor to protect, the general belief in the idea of free trade grew. As industries are now developing again under free institutions and as the labor of the South is now again free and ambitious of better living, the South has a renewed interest in the subject of protection for its industries and its labor as well as a renewed interest in withdrawing tariff protection from combinations and trusts. What applies to the South with reference to protection, naturally applies to the rest of the United States. Every part of the country would be served if the tariff could be handled by a semi-judicial commission and in departments where experts could investigate each item and findings be made as satisfactory as those now made upon the subject of patents.

Without such scientific investigation to ascertain the facts, either by a government or some other competent tribunal, it is impossible to discuss the duties on textiles or any other items intelligently.

## AN ARGUMENT FOR A PERMANENT EXPERT TARIFF COMMISSION

BY H. E. MILES,

Of the National Association of Manufacturers, Chairman Central Committee on Expert Tariff Commission, Representing Fifteen National Organizations.

There are four thousand items in the tariff. It is impossible for Congressmen to post themselves on a hundredth part of the schedules. The work of drafting legislation must be done by others; as, in great measure, it has been in the past.

The inability of Congress to frame a proper tariff, even if so disposed, by present methods, and the inexperience of Congress, are little appreciated. A tariff bill is framed in the first instance by the majority members of the Ways and Means Committee of the House. It is expected to pass the House as submitted with little alteration. The minority members of the committee have little or nothing to do with it. For instance, in the making of the McKinley bill the minority members were present at the open hearings, but very early in the committee's actual constructive work, the minority members said to the majority members, "we will not embarrass you by our presence. We will, of course, make a minority report, and with that understanding we leave you to your work."

The present Ways and Means Committee which, if the Republicans are successful, will frame the next tariff, has upon it only two Republicans who have had any experience in the making of tariffs, Mr. Payne and Mr. John Dalzell. One member only of the minority, Mr. Cochran, ever served upon a tariff-making committee before, Mr. Cochran being one of the majority members who framed the Wilson bill.

Imagine, if you can, a tariff framed in a know-it-all-in-ninety-days session by a lot of novices under the direction of Mr. Payne, of New York, and Mr. Dalzell, of Pittsburg. Not one of the committee is a manufacturer. They know as little about manufacturing as manufacturers know about law, and yet Messrs. Payne, Dalzell, and a very few others who support them, insist that these men shall so legislate as to affect the prices, cost of living, and the pro-

fits and the savings of our ninety million inhabitants, and shall determine what shall be our success in foreign trade, where we meet Germany with its perfect tariff, based upon the findings of the German Tariff Commission of thirty-two experts, who gave five years of study to her interests, consulting in that period 2,000 other experts. As well give the throttle of a locomotive over to a child and expect the best consequence.

*The Dingley Bill*

The Dingley bill had among its majority members only four men, Messrs, Dingley, Payne, Dalzell and Hopkins, a newspaper editor and three attorneys, who had any previous experience, and Mr. Benton McMillan of the minority. That men so inexperienced should have hastily made a tariff for this nation "was worse than a blunder; it was a crime." They only made a great, blind jab at the task. They began wrong by taking classifications more than a generation old, very inapplicable to our time, having neither knowledge nor time to consider that important phase of the subject at all adequately, and consequently we have had 300,000 lawsuits on classifications and appraisals, nine-tenths of which might have been avoided.

*The Wilson Bill*

So of the Wilson bill. Only three members of the majority had had previous experience and that as minority members of the committee which framed the McKinley bill where, they had too delicate consideration for the majority even to be present when the work was done. These three men, with others wholly inexperienced, made the Wilson bill. There were of the minority members of the Wilson Committee, five Republicans of previous experience, whose experience was neither desired nor made use of.

The pitiable plight of the inexperienced Democrats who made this Wilson Bill, is in part illustrated by the following statement of Senator Vest, of Missouri:

I look back now upon what occurred during the debate and conference on the Wilson-Gorman bill as a nightmare, from the effects of which I have never recovered.

Before the conference ended three of the conferees had broken down under the constant strain to which we were subjected. Wilson was attacked with facial erysipelas, and in a few days afterwards I became a victim of

the same malady. We sat opposite to each other, our faces discolored by iodine and looking like two Indians painted for a war dance.

In a short time afterwards Senator Harris also went upon the sick list and told me subsequently that he dated the failure of his health from the effects of overwork and constant anxiety incident to the struggle over the Wilson-Gorman bill of 1894.

Senator Jones was also stricken down with angina pectoris and was compelled to go abroad in order to obtain relief. I have myself never been able to recover from the exhaustive labor to which I was subjected during that terrible struggle.

And as pitiable was the plight into which they put the whole country by the bill itself. The country was painted with iodine for years.

Bribery and ignorance worked together, impelling President Cleveland impulsively to declare the bill one "of perfidy and dishonor."

#### *The McKinley Bill*

Likewise as to the McKinley bill. Mr. McKinley himself was the only man of the majority with previous experience. A gentleman upon that committee, who was said by Mr. McKinley to have written more of the schedules than any other man, declares that they acted without information—could not get information, and simply did the best they could. Mr. McKinley's statement with reference to the glass schedule referred to in my preceding paper confirms this statement. He did not put the making of this and other schedules into the hands of the beneficiaries because he thought that the proper way, but because in the hurry, and lack of proper methods there was no other way.

#### *Importance of Technical Counsel*

The importance in a money sense of having an honest and scientific tariff cannot be overestimated. The total value of the yearly output of our factories is \$14,800,000,000. Much more than half of this is overcharged to the consumers not because of protection, but because of the graft in the tariff. The injury is cumulative. My own business pays \$50,000 per year of this graft. It must make the same profit on this \$50,000, as on the rest of its purchases. It therefore charges \$60,000, for the fifty expended. The jobber and the retailer each adds his profit, until the consumer

pays \$80,000 or more for the initial \$50,000 of graft. The total unnecessary cost of the tariff to American consumers cannot be estimated at less than \$500,000,000.00 per year. It has been estimated as more than double this figure.

Nothing but the unprecedented prosperity of the nation has made it possible for the people to submit to the situation without acute consciousness and extreme financial discomfiture. Nothing but its skilful indirection has kept the people from rising in protest and compelling correction. Few people can even discover from the tariff law what are the charges. Some great manufacturers cannot understandingly read their own rates. The man who made the original drafts of the McKinley and Dingley bills said: "The people won't stand for more than fifty per cent duties, and so I am making fifty per cent the apparent rate and by jokers and provisions not commonly understood, I am raising the rates far, far above that." And so he did. The law was made to cheat with.

Many of the people are aware of this. As time passes they find their best efforts avail nothing as compared with those of victorious trusts. Virtue no longer receives due reward. A sort of contempt attaches to it. The honest man is coming to look upon his own rectitude as if it were a sort of weakness. He wonders how he, too, can fool the people, and so bring into his pockets a miraculous stream of unearned dollars.

Great bankers agree that the half billion dollars of graft taken from the pockets of the consumers by the few ultra-protected interests is a great strain upon our financial resources. Those who get it, use it on the whole well. But things would be a thousand times better were these hundreds of millions of dollars left in the pockets of their rightful possessors, the consumers, to be used by them in the lesser and ordinary expenses of life.

The manufacturers of the country, tired of graft, and of ill-judged and hasty determinations, almost unanimously declare for the establishment of a non-partisan, semi-judicial, expert tariff commission, which shall study the tariff, schedule by schedule, and from time to time, embody their findings in the form of recommendations to Congress and the Executive. Every other great country has such a board or commission of experts. All our progressive statesmen know we must come to this. Only the politicians and their few but very rich and powerful over-protected sponsors and backers



oppose this plan. These opponents yield to the extent of conceding the necessity of expert determination, but they will not in fact yield any part of the graft-producing opportunities.

The fight to-day is for experts of independent standing, who, as the servants of Congress shall determine the costs of production here and abroad and lay the clear proof before Congress. The present leaders of Congress do not want this proof. They now refuse to have it. Their disposition is still as it was when a committee of manufacturers asked for 250 per cent duty. A New York firm in good standing declared 50 per cent ample. The committee to whom these statements were made was composed of lawyers. Had they been serving a client in a private case, or the public to whom they were oath-bound, they would have demanded proof, and secured it. But no, they did not want it. They gave rates running for most part from 100 to 150 per cent, and it is said one of the beneficiaries of the rates wrote the schedule as usual. It was written too in a way not easily understood by the uninitiated.

Congress has recently given to the country remarkable and conclusive evidence of the need of a permanent tariff commission. Of the 4,000 items in the present tariff few are simpler than those on wood pulp and print paper. By the power of the press the House against its will was compelled to consider these two items at the last session. It delegated to that task five members, who have spent some two months on these two items. We are told that they will be unable thoroughly to digest the evidence and report with understanding on these two items except as they devote many more weeks thereto. By instituting this inquiry, the House acknowledges that every rate should be based upon a thorough investigation. By the length of the inquiry it demonstrates the impossibility of the House itself, unassisted, determining rightly a fifth part of the schedules in a lifetime. The work must go undone or be delegated in great measure to a commission acting as the servant of Congress, and advisory also to the President, who, too, must act with understanding. The power of tariff making rests wholly in Congress. That power carries an obligation so great, that exhaustive investigation and a complete understanding should precede action.

The ascertainment of facts is a judicial and not a legislative function. Congress has recognized this in the recent establishment of a currency commission, and by many previous commissions.

There is no doubt of the wide-spread use of the commission plan or of its efficiency in handling questions which require careful consideration, and which bring into play quasi-legislative and judicial, as well as purely administrative judgments. Use is made of them in every department of our municipal, state and national service. In 1906 fifteen states supported 281 commissions. Recent state legislation has created more than 445. The multiplication of state commissions is one of the striking facts in our recent administrative development. Those commissions generally stand for efficiency and economy and for the methods of our business life. Many of the greatest national movements have found their origin in the work of these commissions. Two of national consequence have acted recently and most satisfactorily, these being the Anthracite Coal Commission and the Interstate Commerce Commission. President Roosevelt recommends to Congress the establishment of a permanent commission to study, and, under Congress, develop our internal waterways. The desirability of such a commission is immediately apparent. The Industrial Commission and others resulted in great improvement in the postal service, in the development of the Department of Commerce and Labor, in the rate, the Elkins and the immigration laws, in part to the anti-trust laws, etc. Alongside these, and of equal or greater moment, will soon be found a Tariff Commission.

No commission can make a tariff. That power rests exclusively in Congress. Congress as a whole is well intentioned, however, and we gladly believe that Congress will do rightly by the people, once the clear proof is put before it.

The present tariff situation cannot long endure. It will, however, be projected into the next law in part at least, and in as great measure as public sentiment permits. Every effort of daring and skilful manipulations in both parties will be made to yield as little as possible and to secure as much as may be obtained in excess of honest desert. May we hope that an aroused public opinion will do now and fully, that which will otherwise be done only in part. If the task be only begun it will needs be completed at a later date after the people have suffered a loss of billions of dollars, and a loss also of what is of priceless value—public honor, moral worth, and international esteem.

## BOOK DEPARTMENT

### NOTES.

*American Political Science Association*, Proceedings of Fourth Annual Meeting. Pp. 339. Price, \$2.00. Baltimore: Waverly Press, 1908.

**Andrews, C. M.** *British Committees, Commissions, and Councils of Trade and Plantations. 1622-1675.* Pp. 151. Baltimore: Johns Hopkins Press, 1908.

**Arnold-Foster, H. O.** *English Socialism of To-Day.* Pp. xix, 226. Price, \$1.25. New York: E. P. Dutton & Co., 1908.

The author has written this book for the purpose of refuting the theories of the socialists. In all of his chapters he fails to secure a definite conception of the principles underlying the modern socialist movement. He relies for his data upon the propaganda literature which is not essentially modern socialism. The book shows throughout a woeful lack of understanding of economic principles and is written in a prejudiced and bombastic style which is as unscientific and blatant as the most extreme socialist pamphlets which he criticises.

**d'Avenel, V. G.** *Aux Etats-Unis.* Pp. 253. Price, 3.50 fr. Paris: Armand Colin, 1908.

**Bean, B. C.** (Editor). *The Cost of Production.* Pp. 198. Price, \$3.00. Chicago: The System Company.

This is a technical book dealing with a modern, technical subject. In Part I, the author treats the science of costs, selling price, material, labor, depreciation and profit. The second part of the book is devoted to a series of papers by leading authorities presenting illustrative cost systems. While not of interest to the general reader, the book presents in a very definite form cost theories for business men.

**Bec, F.** *Les Pouvoirs du Maire en Matière d'Hygiène Publique de 1789 à 1902.* Pp. 233. Paris: A Rousseau, 1907.

**Bentley, H. C.** *Corporate Finance and Accounting.* Pp. xx, 525. Price, \$4.00. New York: The Roland Press, 1908.

Reserved for later notice.

**Benton, E. J.** *International Law and Diplomacy of the Spanish-American War.* Pp. 300. Price, \$1.50. Baltimore: Johns Hopkins Press, 1908.

This work is a history of the relations of the United States and Spain during the Cuban insurrection and the resulting Spanish-American war. Especial emphasis is given to the controverted points of international law which were passed upon during the conflict. Though the sources used do not include the Spanish material on the subject, the viewpoint throughout is judicial.

Some of the author's conclusions are, that the *reconcentrado* policy was a justifiable means of warfare; that the refusal of arbitration offered by Spain in the Maine case was a mistake; that McKinley did not exhaust the resources of diplomacy before turning the conduct of affairs over to Congress; and that the intervention of the United States on humanitarian grounds was not good practice in international law. The decisions of the courts in prize cases and allied subjects are reviewed in detail. The author is under heavy obligation to Le Fur, *La guerre Hispano-Américaine*, especially in the discussion of neutrality. There is no bibliography or discussion of authorities.

**Blewett, G. J.** *The Study of Nature and the Vision of God.* Pp. viii, 358. Price, \$1.75. Toronto: Wm. Briggs, 1907.

**Butterfield, K. L.** *Chapters in Rural Progress.* Pp. ix, 251. Chicago: University Press, 1908.

**Calvert, A. F.** *Toledo.* Pp. xxiii, 169; plates 511. Price, \$1.25. New York: John Lane Company, 1907.

This is the most pretentious of Mr. Calvert's volumes on Spain that has yet appeared. The best part of the book is the five hundred illustrations which cover practically every object of interest in the city. In some instances, however, the pictures lack distinctness, and some subjects are presented so often that the charge of padding cannot be avoided. The descriptive chapters, occupying about one-third of the book, are written in a style that is easy, but which often offends by wordiness. For the casual tourist, however, a handbook of this sort is of value. It gives a summary of the place of the city in the history, art and national life of Spain without burdening the narrative with too many facts. A chapter discussing the work of El Greco is included.

**Chapman, S. J.** *Work and Wages.* Part II. Pp. xxii, 494. Price, \$4.00. New York: Longmans, Green & Co., 1908.

Reserved for later notice.

**Clarke, H. B.** *Modern Spain.* Pp. xxvi, 510. Price, \$2.00. Cambridge: University Press.

The history of Spain in the nineteenth century is full of such rapid changes that any one-volume work must become, to a great extent, a chronicle of victories and defeats, insurrections, riots, provincial and party feuds, changes in succession and general national unrest. This is no exception. There are no chapters on the economic forces impelling the government or the people, and no discussion of social and political tendencies in the kingdom. The general political movements, however, are well outlined by an author who was qualified for the work as are few other English scholars.

The discussion of the internal affairs of the peninsula is more satisfactory than that of foreign affairs. The Carlist wars, the struggle for the abolition of the provincial rights, the church lands controversies and the military complications are clearly presented. The treatment of colonial politics is evidently drawn from materials representing but one side of the question, and in the discussion of the Spanish-American war, the peculiar spelling given to the names of American officers shows that American sources were not well cov-

ered. Several inaccuracies in statement of the territorial results of the war are also to be noted. A good bibliography concludes the book, but the works cited include no American discussions of the Spanish-American war.

**Cook, F. A.** *To the Top of the Continent*. Pp. xxi, 321. Price, \$2.50. New York: Doubleday, Page & Co., 1908.

Reserved for later notice.

**Curtin, J.** *The Mongols*. Pp. xxvi, 426. Price, \$3.00. Boston: Little, Brown & Co., 1908.

Reserved for later notice.

**Darwin, Leonard.** *Municipal Ownership*. Pp. xv, 149. Price, \$1.25 net. New York: E. P. Dutton & Co., 1907.

Well printed and bearing the characteristics of the English bound book, this short volume—four lectures delivered at Harvard in 1907—presents an attractive appearance. Disappointing, however, it proves to be after careful reading. Attempting to present the arguments, both for and against municipal ownership, it fails to command the respect of either advocates or opponents of increased functions for the municipality, nor does it deal with the subject in a sufficiently scholarly manner to raise it above the necessity of taking sides.

The question turns, in the opinion of the author, on whether a city can operate public utilities to better advantage by directly employing its labor than can a private company. Wherever an industry tends to become a monopoly, the case for municipal ownership is strong; where the civic authorities are weak or corruptible, or there are large numbers of men to be employed, or if free competition exists, private operation is preferable.

**Dougherty, J. H.** *The Electoral System of the United States*. Pp. 425. Price, \$1.50. New York: G. P. Putnam's Sons.

**Eltzbacher, Paul.** *Anarchism*. Translated by S. T. Byington. Pp. xxi, 309. Price, \$1.50. New York: Benj. R. Tucker, 1908.

The book represents an attempt to outline the doctrines of anarchism as they have been developed by its leading exponents. Three-fourths of the book are devoted to quotations from these authorities. The first few pages contain definitions of the terms, the state, the law and property. The theories of the leading anarchist writers are then reviewed. William Godwin based his theories on the general welfare. From the standpoint of the general welfare, he rejects law absolutely. In the absence of law, he must likewise reject the state. Proudhon bases his doctrines on justice. On a basis of justice, practically all statutory and constitutional law is rejected. Johann Kaspar Schmidt, commonly known as Max Stirner, founded his teaching on the supreme law of personal welfare. If each man looks to his own welfare, law is unnecessary, because in order to attain the highest personal welfare it is often necessary for man to transgress the law.

Bakunin looks upon the evolutionary principle of the progress of mankind from a lower to a higher stage as the fundamental law. In this evolution enacted law must of necessity disappear together with the state and



property. Kropotkin looks upon the progress from a less happy to the happiest existence as the fundamental thing. In the course of this progress one of the first steps will be the abandonment of enacted law, of the state and of private property. Tucker in his anarchistic writings considers self-interest as the fundamental law, and from this law he derives the law of equal liberty. From this standpoint there is no objection to law and property, but there is objection to the state. Tolstoi bases his doctrines on the supreme law of love. For love's sake Tolstoi rejects law as a means of developing people. He likewise rejects the state and the institution of property.

Following this summary of the doctrines of the leading anarchist writers, the author draws up several tables to illustrate the tendency of their doctrines and draws conclusions from them. The book is particularly timely owing to the present outcry of the general public against anarchism, and the failure of even the most learned to secure an adequate comprehension of anarchistic thought. The style is scientific in the extreme, heavy and uninteresting, yet to the student in search of the fundamental principles underlying the science of anarchy, the facts are presented in a masterful way, worthy of the highest commendation.

**Fisher, S. G.** *The Struggle for American Independence.* Pp. xxi, 1159.

Price, \$4.00. Philadelphia: J. B. Lippincott Company, 1908.

Reserved for later notice.

**Fitzner, R.** *Deutsches Kolonial-Handbuch.* Pp. 331. Berlin: H. Paetel, 1907.

**Fuller, R. H.** *Government by the People.* Pp. 260. Price, \$1.00. New York: Macmillan Company, 1908.

**Gauss, H. C.** *The American Government.* Pp. xxiii, 871. Price, \$5.00. New York: L. R. Hammersley & Co., 1908.

This large volume of almost nine hundred pages brings together a large number of facts not available in the ordinary text, which, however, it does not displace. The chief emphasis is placed upon the duties and powers of federal officeholders. The detailed information presented is summarized from a large number of sources not readily available to the average student. There are serious limitations upon the usefulness of the book, because no sense of proportion is maintained. Eleven pages treat of the President, while twenty-eight are used in a tabulation showing the division under the congressional district system. The work is a storehouse of facts, which will be found valuable as a reference book but not available as a text.

**Grimshaw, Beatrice.** *Fiji and Its Possibilities.* Pp. xiii, 315. Price, \$3.00. New York: Doubleday, Page & Co., 1907.

It took a good bit of pluck and nerve for a lone English woman to visit some of the remote parts of Fiji and other islands. The account is very lively and interesting. It is, however, diffuse and unsatisfactory. The author thinks there is a great future in Fijian agriculture and stock raising for the Englishman. This may be true, but the prospective settler will want more evidence than is here given. The book's chief interest, therefore, lies in its testimony

to what a woman can do if she will. There are many illustrations, most of which are of very little value.

**Hart, A. B.** *Manual of American History, Diplomacy and Government.* Pp. xv, 554. Cambridge: Harvard University Press, 1908.

This book is founded on several similar publications of the author. It aims to outline lectures and readings for courses for college students of the subjects indicated in the title. Three detailed courses of ninety lectures each are outlined on the subjects of American history, diplomacy and government. Three shorter courses of thirty lectures each on the same subjects follow. These outlines are supplemented by suggestions for class topics, term reports, etc., and by a valuable chapter on methods and materials, giving directions for the use of books and preparation of reports. Though intended as a guide and aid in some specific courses in Harvard University, the arrangement of the volume, and the general character of the material to which reference is made, make the volume of value to the general student.

**Harwood, W. S.** *The New Earth.* Pp. xii, 378. Price, \$1.75. New York: Macmillan Company, 1907.

This book is the better of two recent efforts to present to the general public the results of the recent application of science to agriculture. This is a very large field, as none of the industries is related to so many sciences; in none of them has the dependence upon science been so late in its discovery, and in none has the development of science been so rapid. Mr. Harwood attempts to present these recent developments in their economic aspects, so that we may understand the change that is going on around us.

The book represents a rather wide consulting of the very numerous materials that are now pouring forth. In many cases they are quoted at great length, so that the book is almost as largely a selection of the works of others as it is the work of the author. For the calm and unpoetic, the author's efforts at popularizing and style are at times rather distasteful, but it is the best book that has yet appeared on the subject, and one which can be read with great profit by anyone who wishes to keep fully abreast of the great movements now going on in the greatest industry the world now possesses or ever has possessed.

**Herbertson, A. J. and F. D.** *The Oxford Geographies.* Vols. I and III. Pp. viii, 512. Price, 4s. Oxford: Clarendon Press.

Dr. A. J. Herbertson, assisted by F. D. Herbertson, of Oxford, has written a series of geographies for the schools. They have borrowed something from, or conceived an idea similar to, the prodigiously successful series of geographical readers written by Mr. Frank Carpenter, which sold a million copies before the last one was done. Dr. Herbertson has a preliminary, a junior and senior geography. In the first one he takes imaginary journeys up and down, across and around the continents, using all sorts of appropriate conveyances, and pointing out to his imaginary youthful audience the things he should see. It makes some of us wish we could begin geography again. In the last of the series, the senior geography, which has recently

appeared, he has divided the world up into what he calls natural regions. These he uses in contrast to the irrational method of thoroughly treating political divisions which may have no economic difference from those adjoining.

This is a distinct advance over the old method, but it is not followed rigorously all the way through the book—compromises being made with political geography and history and through pressure of space unexplained statement of fact is at times rather too prominent. The writing of geography texts is a matter of such forced compromise that it is a question if any method can be settled upon to the satisfaction of all parties.

**Hill, F. T.** *Decisive Battles of the Law.* Pp. viii, 268. Price, \$2.25. New York: Harper & Brothers, 1907.

Reserved for later notice.

**Hinds, W. A.** *American Communities and Coöperative Colonies.* Pp. 608. Price, \$1.50. Chicago: Charles H. Kerr & Co., 1908.

This standard work, which was first published in 1878, now appears in enlarged form, thoroughly revised and brought down to the year 1907. It includes all the well-known experiments, such as the Shaker colonies, Owen's communities, Brook Farm and the various Fourieristic phalanxes, Cabet's Icaria and the Oneida Community, in addition to a multitude of less known settlements, to say nothing of such contemporary organizations as the Theosophist Colony at Point Loma, the Single Tax Society at Fairhope, Alabama, the Ruskin Commonwealths, Upton Sinclair's Helicon Home Colony and the Straight Edge. Probably the most surprising feature of a book like this, to most readers, is the disclosure of the large number of radical social experiments that are being carried on at the present time.

As a follower of John Humphrey Noyes, Mr. Hinds naturally believes in some form of religious communism, conjoined with mutual criticism, after the fashion of the Oneida Community. Nevertheless, he is scrupulously fair to all communists and their opponents, and he records with entire honesty the modest successes of the various communistic societies and their numerous discouraging failures. The book contains little attempt at philosophizing. It is chiefly a straightforward account of the attempts at social betterment made by communists and social radicals. Such a record leaves the reader with a renewed impression of the importance of religious enthusiasm and fanaticism as motives to communistic activity. It fills him with admiration for the enthusiasm, the lofty motives and the unselfish endeavor that have marked the most of such attempts—admiration not unmixed with sadness at the selfishness and self-seeking that ultimately creep in to overthrow them. Yet, despite failures, men will undoubtedly continue to experiment with the alluring form of social organization so long as they seek a concrete expression of the sentiment of brotherhood. All such experiments will add their bit to the world's store of experience and wisdom; and, therefore, they deserve permanent record. Not the least valuable feature of Mr. Hinds' book is the bibliography at the end of each chapter.

**Hirth, F.** *The Ancient History of China to the End of the Chóu Dynasty.* Pp. xiii, 383. Price, \$2.50. New York: Columbia University Press, 1908.

**Hunt, G.** (Editor.) *The Journal of the Constitutional Convention of 1787, as reported by James Madison.* Two volumes. Pp. xvii, 853. Price, \$3.00. New York: Putnam's Sons, 1908.

Reserved for later notice.

**Jacobstein, Meyer.** *The Tobacco Industry in the United States.* Pp. 208. Price, \$1.50. New York: Columbia University Press, 1907.

This volume, by Dr. Meyer Jacobstein, is a very carefully prepared monograph giving the development and present situation of the American tobacco industry. Dr. Jacobstein knows his subject and the monograph gives evidence of much careful work. He deals in a dispassionate way, yet clearly, with the facts of the development of the tobacco trust which has of late been the subject of such heated presentation and litigation. The book covers the whole field from the first plantations in the colonies to the foreign trade and the tobacco tax. It is rather unfortunate that a book of such merit should appear in the clumsy form of uncut pages, requiring as much time to get at the book as to read one of its clearly put chapters.

**Johnson, A. S.** *Introductory Economics.* Pp. 338. New York: School of Liberal Arts and Sciences, 1907.

By those economists who hold the productivity theory of distribution, this book can merit naught but praise. It is a clear, logical presentation written in terse English. The influence of his former teacher, Professor Clark, is apparent throughout the author's pages, especially in those chapters dealing with the theories of wages and interest. Like Clark, he sees in monopoly an element ever interfering with the desirable free play of competition as a regulator of interest, wages and profits. He re-echoes the customary economic formula, "Wages under competitive conditions are determined by the marginal productivity of labor."

To that growing group of economists, however, who have broken from the Clark idea of marginal productivity and adhere to the price or exchange theory, the book offers little of value. In the main, Dr. Johnson has written a series of studies illustrating the operation of the two economic principles of diminishing utility and diminishing returns with some additional chapters on general economic subjects such as money, financial institutions, international trade, etc. The volume does not claim to be a general text-book on the whole field of economics. Its aim is rather to reach the lay public than the student body, for the author believes that, "in a democratic state economic science should be for the many, not for the few."

**Kellogg, V. L.** *Darwinism To-Day.* Pp. xii, 403. Price, \$2.00. New York: Henry Holt & Co., 1907.

In this volume Professor Kellogg, of Leland Stanford, Jr. University, carefully reviews the biological studies of the last fifty years to see what effect they have had in destroying or changing the fundamental conceptions of

Darwin. He thus puts in brief and accessible form for the general reader all the important evidence gotten by the various students and the theories suggested thereby. The volume at once becomes valuable as a source book.

After outlining Darwinism, the attacks upon Darwin's positions are taken up in detail. This is followed by a defence accompanied by mention of alternative theories. The final conclusion reached is, that while obviously many of Darwin's ideas were erroneous, that Darwinism is far from dead. It is probably necessary to accept Weissmann's theory that acquired characters are not inherited. Natural selection remains, however, not the cause of changes in species, but the final controlling force in evolution. The opponents of natural selection have failed to displace it. Darwinism does not explain variation in indifferent characters, of which there are many. Here is a great field for research. The cause of modifications may be simpler than we think.

The book is valuable. Unless the reader knows something of biology it will be hard reading, for technical terms are constantly used.

**Koebel, W. H.** *Modern Argentina*. Pp. xv, 380. London: Francis Griffiths, 1907.

**Ladd, G. T.** *In Corea with Marquis Ito*. Pp. x, 477. Price, \$2.50. New York: Charles Scribner's Sons, 1908.  
Reserved for later notice.

**Lowell, A. L.** *The Government of England*. Two volumes. Pp. xxii, 1133. Price, \$4.00. New York: Macmillan Company, 1908.  
Reserved for later notice.

**Maclear, Anne B.** *Early New England Towns*. Pp. 181. Price, \$1.50. New York: Columbia University Press, 1908.

**Mallock, W. H.** *A Critical Examination of Socialism*. Pp. vi, 302. Price, \$2.00. New York: Harper & Bros., 1907.

Mr. Mallock has profited somewhat from the castigation he received in the course of the American lectures. It has at least led him to read Walker; and Walker a quarter of a century ago said everything that is said in Mr. Mallock's book, only far more sanely than the worthy Englishman has done. This volume, however, is a better piece of work than the lectures gave reason to expect. The point of view, of course, is wholly aristocratic. The world is divided into two classes, laborers and men of "directive ability;" they are born so, and "there's an end on't." Great men produce all the changes in human affairs. Labor is the mere mechanical power of the human machine. Laborers, not being great, possess only this mechanical power and therefore must submit themselves, if they would be happy, to the God-given "directive ability" of their betters. It all reads quite like Aristotle on slavery.

A socialist state, argues Mr. Mallock, could not select these men of ability; and even if it could select them, it could not induce them to work if it reduced their reward below its present amount. Very likely, and if socialism cannot overcome these difficulties it will fail. And yet progressive government enterprises are becoming discouragingly common. Perhaps, as



Mr. Mallock declares, socialists are men "incapable of comprehending accurately the concrete facts of life," and perhaps that is why they say that municipal tramways are a success in England, that Russian railways pay big dividends, that the Swedish telephone puts ours to shame, and that New Zealand is reasonably prosperous, in spite of radical land laws, compulsory arbitration, old age pensions and such foolishness.

But "directive ability" is the phrase that justifies present society *in toto*. It includes the work of people no less different than John Wanamaker, running a department store; Bernard Shaw, writing a play; E. H. Harriman, looting a railroad, and Harry Lehr, giving a monkey dinner. The idle sport is a useful member of society. He incites more directive ability in the captain of industry, who wants to make his own son an idle sport. *Vive la Newport!* Aside from using his leading term in a variety of senses, Mr. Mallock constantly assumes that the sole function of business men is to direct industry, and that, in general, their pay is proportionate to their service. We should like to commend to him Prof. Veblen's discussion of pecuniary and industrial employments, and then ask him to investigate how far the great American fortunes are the reward of social service in directing industry. The present order can be defended, but not on the basis of any such equivalence between service and financial reward as Mr. Mallock constantly and rather cleverly assumes.

It is his method of measuring the product of labor that is most edifying, however. It will be disquieting to radical agitators, however, to learn that labor is getting several times what it produces.

In a word, Mr. Mallock's analysis appears to us radically unsound. He easily enough exposes the fallacies in Marx's argument; that has often been done before. After all, is it very profitable to write many more theoretical books just now, either for or against socialism? Is it not more worth while to study with open mind the failures and successes, not only of the present system, but of the now numerous experiments in government operation of industry? But doubtless the Marxian socialist will not allow it.

**Mazzarella, Joseph.** *Les Types Sociaux et le Droit.* Pp. xxiii, 457. Price, 5 fr. Paris: Octave Doin, 1908.

This book is the second of twelve volumes projected, dealing with the various subjects within the domain of sociology. It is a study of social types from the juridical point of view, and embodies the results of ten years' inductive labor. In a valuable introduction, covering forty-four pages, there is a detailed critical examination of Post's theory as fully matured in his "Materials for the Universal Science of Law." With this as a point of orientation, Dr. Mazzarella divides his work into three parts: the first, devoted to the elaboration of his theory of fundamental types; the second, applies the theory to the gentile type of society; and, the third, in like manner, makes practical application to the feudal type of society. His purpose is to show by a comparative study the general process of development of juridical ideas and institutions, the causes which determine them, and the laws according to which they are formed.

The volume evidences the extreme precision with which the author has sought to deal with his subject and probably contains the most complete exposition which has yet been made in the illuminating field of juridical ethnology. The reader's attention is so skillfully brought to center on customs and institutions that the many other factors present in society as means and devices of social control may be easily forgotten.

**McKenzie, F. A.** *The Unveiled East*. Pp. viii, 347. Price, \$3.50. New York: E. P. Dutton & Co.

Recent writing on political affairs in the Far East lacks the optimism of the years following Secretary Hay's note of 1901 concerning the open door. The equality of opportunity which it was hoped was to be guaranteed seems to be fast disappearing in fact, though the theory is insisted upon as strenuously as ever. Mr. McKenzie adds another volume to those which see the greatest menace to western commercial interests in the monopolistic attitude of Japan. That the book is altogether unprejudiced cannot be claimed, but there are enough bold statements of fact to make the reader uneasy lest the unpleasant conclusions drawn may be justified.

The acts of the government of the island empire in crushing out the Korean sovereignty and in driving away foreign competition by the subsidy of favored national enterprises are outlined in detail. Chapters are also devoted to the international problems raised by the oriental immigrant in America and Australia, the contest for the commercial control of the Pacific and the "duties" of England and the United States in the Far East.

The last third of the book is given to an analysis of the complicated situation in China. The author sees much to hope for in the movements headed by Yuan Shi Kai and his associates, but the situation is too confused to allow a statement as to whether China's nationality can develop fast enough to save her from international extinction. The attitude of the book is partly one of alarm, partly one of doubt.

**Métin, A.** *Les Traités Ouvriers*. Pp. 268. Price, 3.50 fr. Paris: A. Colin, 1908.

**Mitchell, W. C.** *Gold Prices and Wages under the Greenback Standard*. Pp. 625. Price, \$5.00. Berkeley: University of California Press, 1908.

**Morris, H. C.** *The History of Colonization*. Two volumes. Pp. xxiv, 459. Price, \$4.00. New York: Macmillan Company, 1908.

Reserved for later notice.

**Parker, T. V.** *The Cherokee Indians*. Pp. viii, 106. Price, \$1.25. New York: The Grafton Press, 1907.

This is a very good, brief, historical account of the Cherokee Indians, especially as concerns their relation to the United States government. The author is critical of the government's attitude toward the Indians, which he says has been one "of treaties violated, of promises broken and of partisan prejudice where there should have been judicial fairness." The government's relations with the Indians, except as individuals, will soon be things of the

past. In view of our contact, however, with other uncivilized peoples, we ought to learn from our failures, to avoid similar mistakes. Such a discussion, therefore, has a value, even if the sentimental wish that things could have been different is of no avail.

**Pierce, F.** *Federal Usurpation*. Pp. xiv, 437. Price, \$1.50. New York: D. Appleton & Co., 1908.

**Rastall, B. McK.** *The Labor History of the Cripple Creek District*. Pp. 166. Price, 50 cents. Madison: University of Wisconsin, 1908.

**Reed, Milton.** *The Democratic Ideal*. Pp. 48. Price, 75c. Boston: American Unitarian Association, 1907.

This is a little book, written from an ethical point of view, in which no ideal is presented. While the author prints some very just and harsh criticisms on modern economic conditions, he seems not to have a comprehension of the economic laws underlying many modern movements.

**Reynolds-Ball, Eustice.** *The Tourist's India*. Pp. 364. Price, \$2.00. New York: Brentano's, 1908.

The Tourist's India occupies a mid-way position between that of a guide-book and of a traveler's account of things seen, although, in this case, the author is careful to give due credit to all persons who have furnished him with authentic information not possible to have been gained by himself. It is a well-systematized tour, and throws light on many different aspects of life in the principal cities. The arrangement in chapters devoted to particular towns is one to be commended for ready reference, and will be of great help to a prospective tourist. Two or three chapters conduct one of the less frequented portions of the empire and off the beaten track. Practical suggestions as to clothing, outfit and manner of travel are appended, and a bibliography gives choice of many volumes for consultation. The book is brought up to date, with its references to the recent journey of the Prince of Wales through the empire, and is furnished with a good map and many excellent illustrations.

**Robinson, J. H. and Beard, C. A.** *The Development of Modern Europe*. Two volumes. Pp. xviii, 810. Price, \$3.10. Boston: Ginn & Co., 1908. Reserved for later notice.

**Schaffner, Margaret A.** *The Labor Contract from Individual to Collective Bargaining*. Pp. 182. Price, 50 cents. Madison: University of Wisconsin, 1907.

**Schuchart, Th.** *Die Entwicklung der Deutschen Zuckerindustrie*. Pp. 270. Price, 5m. Leipzig: Werner Klinkhardt, 1908.

A 270-page study describing the development and present situation of the German sugar industry. It covers the whole field, including the labor situation and a 56-page chapter on the agricultural aspects of beet culture.

**Shillington, V. M. and Chapman, A. B. W.** *The Commercial Relations of England and Portugal*. Pp. xxxii, 344. Price, \$2.00. New York: E. P. Dutton & Co., 1908.

*Socialism, the Case Against.* Pp. 537. Price, \$1.50. New York: Macmillan Company, 1908.

**Thompson, S.** *Cost, Capitalization and Estimated Value of American Railways.* Third edition. Pp. 177. Chicago: Railway News Bureau, 1908.

**Van Dyne, Frederick.** *A Treatise on the Law of Naturalization.* Pp. 527. Price, \$5.25. Rochester, N. Y.: Lawyer's Coöperative Co., 1907.

Until the passage of the act of June 29, 1906, no change had been made in our naturalization laws for almost a century. Statutes framed for a population of four million, and for a country anxious to welcome immigration from every quarter still regulated our method of naturalization. This law effected a revolution in our legislation on the subject. Taken in connection with the later law of March 2, 1907, on citizenship and expatriation, it gives us at last a system of legislation adequate to our needs.

Mr. Van Dyne in this excellent volume brings together all the laws still in force dealing with the acquisition of citizenship by foreigners. The historical development of our present regulations is traced, as are also the judicial decisions and the opinions and rulings of the executive and international claims commissions.

The book will be found to be of great value to those having jurisdiction in naturalization proceedings, to lawyers who desire to advise clients who are seeking naturalization or to establish rights of citizenship and, in general, to every student and citizen who has an interest in solving those problems arising from the assimilation by the nation of the hundreds of thousands of aliens coming to our shores every year. An appendix of one hundred pages gives the text of the naturalization laws, naturalization treaties, recent executive orders on the subject and a list of the naturalization courts.

**Van Vorst, Mrs. John.** *The Cry of the Children.* Pp. xxiii, 246. Price, \$1.25. New York: Moffat, Yard & Co., 1908.

"When our people know that more than a million American children are dying of overwork or being forever stunted and dwarfed in body, mind and soul; when they know that we are pouring into the body of our citizenship two hundred and fifty thousand degenerates (at the very lowest estimate) every year who have clouded minds and a burning hatred of the society that has wronged them, and that they have ballots in their hands; when the nation learns of these things and many more just as bad, we may hope for an end of this national disgrace."

This quotation from Senator Beveridge's perfervid introduction gives a good idea of the tone of Mrs. Van Vorst's book, which is made up chiefly of conversations with children, descriptions of home and working conditions and a good many sentimental asides on the natural ability of the mill hands of Alabama and Georgia. There are also some pages on Maine, New Hampshire and Massachusetts.

It is probably still useful to stir up the people against child-labor by sending shivers down their backs, but on the whole, has not the time come for more sober argument and discussion of the means of doing away with

the abuse? Certainly it would be hard to justify the statement that economists declare that we should be willing to have a generation of boys and girls "sacrificed, crippled, deteriorated, starved slowly to death, in order that the cotton-mill industry in a single state shall prosper." Nothing is gained by over-statement and hysterics. Mrs. Van Vorst would do better to confine herself strictly to describing what she saw, for her strong point is not in drawing inferences. Nevertheless, the vividness of her book will doubtless rouse many other people, as it aroused the Indiana Senator, to realize some of the worst iniquities of child-labor.

**Viallate, Achille.** *L'Industrie Americaine.* Pp. 492. Price, 10 fr. Paris: Félix Alcan, 1908.

In this five hundred page work we have another number in the library of contemporary history, edited by Félix Alcan. It is another evidence of the great interest manifested in Europe in the extraordinary industrial developments now going on in America.

The attempt is made to cover a wide field, as shown by the scope of the contents. Part I shows our industrial development from 1789 to the present day. Part II on industrial organization also covers a wide scope, covering matters of legislation, the relation of the stockholder to the management, in our trusts, our railways and our finances. Part III, under the title of industrial expansion, is a discussion of our present foreign trade, and of our prospective foreign trade in its competition with that of foreign nations. It is much to be regretted, and in this day scarcely believable that such a work should be so crippled as to be entirely devoid, not only of an alphabetical index, but even of a table of contents.

**Wayland, J. W.** *The Political Opinions of Thomas Jefferson.* Pp. 98. Price, \$1.25. Washington: The Neale Publishing Company, 1908.

Dr. Wayland's essay turns out to be a presentation of political opinions about Jefferson, as well as of those which can be ascribed to him. Even those writings quoted do not fail to include contradictions in thought, due perhaps to the fact that "Jefferson was not only a political scientist, he was also a practical statesman."

The opinions quoted are at times, too, selected rather than interpretive. Mr. Jefferson is pictured as an expansionist, but nothing is said of his earlier doubts of its constitutionality. The author thinks that possibly "he would have favored the acquisition of the nearer South American States." It is hard to reconcile such a belief with Jefferson's ideas as to the size of our navy and with his declaration in 1809 that if Cuba were acquired we should "immediately erect a column on the southernmost limit of Cuba and inscribe on it a *ne plus ultra* as to us in that direction."

**de P. Webb, M.** *India and the Empire.* Pp. xvi, 193. Price, \$1.20. New York: Longmans, Green & Co., 1908.

Reserved for later notice.

**Webb, Sidney and Beatrice.** *English Local Government.* Two volumes. Pp. viii, 858. Price, \$7.00. New York: Longmans, Green & Co., 1908.

Reserved for later notice.



**Wilson, W.** *Constitutional Government in the United States.* Pp. 236. Price, \$1.50. New York: Columbia University Press, 1908.  
Reserved for later notice.

**Wood, H. A. W.** *Money Hunger.* Pp. 144. New York: G. P. Putnam's Sons, 1908.

After pointing out that at present there is no established basis for business ethics, and that the home, the church, the schools and the newspapers fail to supply any standard, the author devotes three chapters to a discussion of the responsibility of the press for present conditions of commercial immorality. He holds that these conditions are due largely to the failure of the press to measure up to its opportunities. The book is a protest against the abuses of competitive business, and, while it lacks the periods of Ruskin and the thunderings of Carlyle, it is nevertheless well done. The remedy advanced by the author for the conditions is an increased personal honesty, but he proposes no scheme for securing this honesty. The viewpoint of the book is distinctly ethical, set off by touches of innocent ignorance concerning the operation of economic forces.

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REVIEWS.

**Dunning, W. A.** *Reconstruction—Political and Economic, 1865-1877.* Pp. 378. Price, \$2.00. New York: Harper & Brothers, 1907.

This volume was written as part of the American Nation Series, published under the editorial direction of Albert Bushnell Hart, of Harvard University. In his work entitled "Essays on the Civil War and Reconstruction," Dr. Dunning gave to students of American history a new outlook upon a period of our national development which has been so generally neglected, but which is fraught with lessons of the deepest import.

In the present work on the political and economic aspects of reconstruction, Dr. Dunning has more than fulfilled the promise of his earlier work. It is, in many respects, the best piece of historical writing that we have had during the last decade. His analysis of the economic, social and political conditions prevailing during the period between 1865 and 1877 gives to the reader a clear picture of the extraordinary situation that confronted the country. Although we are but a quarter of a century removed from the reconstruction era, it seems very much further from us, both in thought and feeling, than the earlier decades of the nineteenth century. The author has interpreted the spirit of this epoch far more successfully than any other historian who has heretofore attempted the task.

In his treatment of the subject the author has adhered steadfastly to the basic facts and the most important tendencies. In this respect he has shown great self-control, inasmuch as most writers on this period give more attention to the formation and methods of the Ku-Klux Klan, and the other devices resorted to for the purpose of intimidating the negro than to the really fundamental social and political problems.

An easy style, together with a remarkable power of concise statement have enabled the author to bring within the compass of a comparatively small volume a thoroughly adequate treatment of the most important constitutional epoch in American history. No one can hope to secure a true perspective of the development of the American nation without a careful study of Prof. Dunning's admirable work.

L. S. ROWE.

*University of Pennsylvania.*

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**Hanotaux, Gabriel.** *Contemporary France (1870-1900)*. Vol. III. Pp. ix, 634. Price, \$3.75. New York: G. P. Putnam's Sons, 1907.

The present form of government in France has been in existence for nearly forty years. In 1830 Tallyrand, on taking the oath to the constitution of the July monarchy, boasted that it was the thirteenth. Between 1830 and 1870 France was successively a monarchy, a republic and an empire, and since 1870 a republic again. The Third Republic has, therefore, by comparison at least, much that speaks for permanency and durability. Yet, as M. Hanotaux points out, it was the result of compromise, not of deliberate effort, on the part of the assembly that called it into existence. "Do not seek for the principles which guided us," declared the man of the National Assembly, which, though elected in 1871, dared not finally establish a republican government in France till 1875. "Chance alone was our master." The present volume of M. Hanotaux's able work deals almost exclusively with the establishment of the Republic in its final form, with the gradual development of the constitution and its interpretation, its "theory" as the translator puts it. The author's personal interest centers with much fondness in the Assembly which gave final shape to the republican government of France. "The Assembly," he writes, was "great less for what it achieved than for what it outlined, for what it did than for what it planned." Nevertheless, like Thiers, "It deserved well of its country." With the constitution as it was fully adopted none of the members of the Assembly were satisfied; all had "resigned themselves." In doing so they were not unmindful of the fact that across the ocean "another Republican constitution had been born under circumstances quite as difficult and doubtful."

With respect to the deeper forces that wrought a successful government for France, the author eloquently says, "The Constitution of 1875 was not the work of one man, neither was it elaborated in one day. It had lain within the bosom of France for nearly a century. . . . All the progress of France within the last hundred years had been toward one object: to organize popular sovereignty in a free country, with a controlled government. This ideal was that of the nation from the day when it became disgusted with kings."

Not much space is allotted to economic and social history. The social question, the Labor Congress in Paris, the press, municipal organization, and educational questions are treated as they appear reflected in the Assembly, where the absorbing interest is, of course, political. Indeed, on the one hand,

one cannot but regret that they should be treated as quite so secondary in importance, and on the other hand, that they should be allowed to enter at all at points where they necessarily interrupt the continuity of the evolutionary progress towards the constitution. Both lose by this method. At the same time, it is only fair to note that the treatment of these subjects, although sketchy, is generally masterful. Still the author might with profit have heeded Thiers' warning: "We have much too much politics in this country," and his own trenchant remark that "a representative assembly is not a whole people." A pleasing exception to the treatment of the subjects from the parliamentary standpoint is the account of the terrible blight which befell the vineyards of France between 1865 and 1882 during which one-half the total area of French vineyards was ruined. The foreign situation is treated with skill and penetrating insight. The space devoted to it is proportionately not large in view of M. Hanotaux's familiarity with this subject. Twenty-seven pages are devoted to *France and Europe in 1874*, and fifty to the *War Scare in 1875*.

The work has suffered considerably in translation because of the unusual license used by the translator in making excisions, often quite arbitrary in character, of clauses and sentences, and of most of the notes and explanations. So valuable a work should be given the English reader as nearly as possible as it leaves the author. Apart from this, however, the English rendering preserves the spirit of the original to a high degree.

WM. E. LINGELBACH.

*University of Pennsylvania.*

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Lea, H. C. *The Inquisition in the Spanish Dependencies.* Pp. xvi, 564. Price, \$2.50. New York: The Macmillan Company, 1908.

Like Mr. Lea's other books, this is distinctly one of authentic information. No future writer on Spanish government outside of Spain, especially its American colonies, can disregard it; and, indeed, in the light of what is here brought forth, much of Spanish colonial history must be rewritten. Throughout, the work abounds in nice points of true historical criticism and philosophic insight. Its first five chapters on the European dependencies, namely, Sicily and Malta, Naples, Sardinia, Milan and the Canaries, are in large measure the drippings from their author's previous extensive research for his other volumes on the Inquisition. The last three chapters, by far the major and more valuable portion of the work, dealing with the Holy Office in Mexico and the Philippines, Peru and New Granada, represent an almost entirely new field, the only extensive work in which has been heretofore done by the Chilean scholar, J. T. Medina. The materials for the work have been drawn from many sources, in large part from manuscripts conserved in various archives, libraries and collections, both public and private. The few printed sources dealing with the Inquisition in the European dependencies have been freely consulted, while Medina has been the printed source for the latter chapters. It may be stated with almost positive assurance that the Mexican archives still contain much matter that

has not been utilized by Mr. Lea, and which, with the recent investigations of Dr. Bolton, will be far easier of access than formerly. The abundant matter in Blair and Robertson's *The Philippine Islands, 1493-1898*, touching the tribunal in Mexico, and especially its subordinate branch in the Philippines, has, however, been neglected. In Vol. v of the series, pp. 256-273, are given the instructions issued to the first commissary of the Philippines in 1583. Vols. xxv and xxvi contain much valuable information on the tangled relations of Gov. Corcuera with the episcopacy, religious orders and Inquisition, a perusal of which might have led Mr. Lea to modify some of his conclusions. Vol. xxxvi is rich in material *in re* the illegal and high-handed arrest of Gov. Salcedo by Inquisitor Paternina. On the whole, the Philippines deserved more space than has been given them. In that section (p. 299), the date of Bishop Salazar's arrival should be 1581. The first commissary in the Philippines seems to have been Diego Muñoz, O. S. A., and *not* Francisco Manrique (p. 300). Throughout the work, a closer chronological arrangement at times might have conduced to greater clearness. In the European part, one is brought into touch with all the state and ecclesiastical policies and machinations of the day. In the American chapters is adequately presented for the first time the awful consequences of the establishment in the western world of the Holy Office. These chapters, to a much greater extent than the preceding ones, unfold a tale of graft, immorality and corruption that is well-nigh incredible. In this hemisphere, so far from the Suprema, control or even direction in the slightest affairs was almost impossible, and the Inquisition became the instrument for the satisfaction of private aims, revenge and greed. It weakened and deadened all private and public life, and not even the most sacred relations were safe from its impious touch. One lays aside this book with mingled feelings of depression, pity and exultation—of depression and pity for the sufferings entailed and the blindness of the world; of exultation for the destruction through its own weight of the vast incubus that was sucking out the best of the lands on which it had fastened itself. State-ruled religions, or religion-ruled states alike are apt to prove evil in consequences.

JAMES ALEXANDER ROBERTSON.

*Madison, Wis.*

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**Metchnikoff, Élie.** *The Prolongation of Life.* Translated by P. Chalmers Mitchell. Pp. xx, 343. New York: G. P. Putnam's Sons, 1908.

Old age is not brought on by a wearing out of the tissues. Many animals live for long periods. Others, of apparently equal strength, are short-lived.

Men desire to live long lives and it is right that their lives should be long. Many great things have been done by men who have passed the age of threescore and ten years. Scientific developments which will solve this problem of senility, thus providing a longer life for the race, will be of inestimable value to humanity. At present the knowledge of the author

leads him to state that pure cultures of lactic microbes taken into the system will successfully destroy the intestinal flora which prove so destructive through the putrefaction developed by them.

The book is a splendidly clear analysis of the subject and presents the views of the author in a definite way, gratifying to those who are accustomed to the hopeless labyrinths of argument and reasoning in the average scientific book. The work is suggestive and should it lead, as it doubtless will, to a careful study and solution of the problems arising out of senility, it will mark an epoch in the control by man of environing conditions. To the economist, no problem to-day is more real than the problem of maintaining efficiency and reducing the death rate of those who would otherwise be rendering great service to the community. The author's biological interpretation leads to at least one very possible remedy.

SCOTT NEARING.

*University of Pennsylvania.*

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O'Shea, M. V. *Linguistic Development and Education*. Pp. xviii, 347. Price, \$1.25. New York: The Macmillan Company, 1907.

Several concrete subjects, studied inductively, furnish the major portion of the material contained in this book. The method followed has been that of observing "a child from the beginning of expressive activity on until he acquired a mastery of his mother tongue in its vocal and auditory forms," and endeavoring "to determine what psychological principles were illustrated in this development." Suitable comparisons with the work of others along this line are included.

The book is divided into two parts, the first dealing with "Non-reflective," the second with "Reflective processes in linguistic development." Beginning with experiences of discomfort, the subsequent stages of mental development are carefully traced—particularization, reaction to environment, spontaneous vocal activity, comprehension of the parts of speech and of proper word order, as well as of inflection.

Part II, which studies the child in his incipient school life, besides being analytic, is in a large measure didactic in purpose, and throws much light on our educational psychology. The teaching of reading, the use of definition and methods of learning spelling are discussed. The chapter on "Development of efficiency in oral expression" is of special interest and value. It examines the various methods of training in efficiency, notes their advantages and defects, and makes pertinent suggestions for further improvement. Of almost equal interest is the discussion of the "acquisition of a foreign tongue." The lessons which Europe has for us in this respect, although already known to us, are emphasized here, and their commendation by this able author will, it is hoped, aid in the revision of our system of instruction.

With the exception of several chapters, including those enumerated, the book will be read chiefly by specialists. The style, however, is forceful and agreeably simple. The reader's task in the study of the book is further



simplified by an analytical table of contents and by short summaries at the conclusion of each chapter.

GEO. B. MANGOLD.

*Washington, D. C.*

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**Poor, Charles Lane.** *The Solar System.* Pp. x, 310. Price, \$2.00. New York: G. P. Putnam's Sons, 1908.

The character of this book is most clearly stated in the words of the author's preface, "An attempt was made to present the subject in untechnical language and without the use of mathematics, to show by what steps the precise knowledge of to-day has been reached, and to explain the marvelous results of modern methods and modern observations." The book therefore assumes a double character; for the student it becomes an unusually attractive text of both general and historical character; for the lay mind it represents the most readable exposition of the solar system yet published.

Most of the interest in the volume will naturally center round the discussion of Mars and its canals, topics which receive relatively more space than strict proportion would allot. The author fully justifies this action, however, by the admirably clear and forceful way in which he handles the much debated question. After carefully following the analysis of evidence for and against the existence of great and elaborate canal systems on our neighboring planet, no one could fail to agree with the conclusion that the objective reality of the canals has not yet been unquestionably established.

Frequent well-chosen illustrations add to the value of this volume which can be most highly commended both as a text book and as a general exposition of the most important of astronomical phenomena.

WALTER SHELDON TOWER.

*University of Pennsylvania.*

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**Russell, Charles Edward.** *The Uprising of the Many.* Pp. xxiv, 364. Price, \$1.50. New York: Doubleday, Page & Co., 1907.

To the student of twentieth century democracy, this is a fascinating book. Mr. Russell has journeyed around the world, and has viewed, with the eyes of a journalist and socialist, what is newest in the age-long war against want and misery and oppression. First come co-operation and municipal trading in Great Britain; then a report on government railroads on the Continent, combined with a slashing attack on our system of private ownership. The interesting political and economic experiments of the vigorous Swiss democracy occupy the next three chapters. Plague, famine and pestilence in India, presented in some appalling figures, are credited, not to Malthus, but to autocracy and to the caste system which, we are warned, springs up wherever there is great power in the hands of a few men. The chapters on Japan are illuminating, punctuated as they are with this often-repeated warning of the yellow peril: "She has a government that does not hesitate to supplant individual with government enterprise, and she has a

working population, intelligent, capable, facile, industrious, orderly, and with a low standard of living." These chapters furnish food for reflection.

Australia and New Zealand fill the last third of the book with compulsory arbitration, minimum wage laws, compulsory repurchase of land, woman suffrage, state interference and economic heresy on the right hand and on the left. And yet Mr. Russell seems to think that the Australians are pretty well pleased with their experiments and are really succeeding in the trying business of self-government.

The book as a whole is refreshing in its sturdy faith in the common people and its evidence of their ability to solve the problems of the common good, once wealth and privilege can be compelled to give them a chance to try. While Mr. Russell's socialistic faith may not be shared in its entirety by most readers, while his book may be criticised as sketchy and incomplete, a work for the general reader rather than the scholar, no one can deny that he has brought together a body of facts unfamiliar to most Americans, and calculated to shake their confidence that the United States has everything to teach and nothing to learn in the school of democratic government. Whoever dips into this book will read it through; before he has finished it he will have done some hard thinking. Perhaps he will be none the worse that some of his formulas have been disturbed.

H. R. MUSSEY.

*University of Pennsylvania.*

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Scott-Elliott, G. F. *Chile*. Pp. xx, 357. Price, \$3.00. New York: Charles Scribner's Sons, Importers, 1907.

Mr. Elliot has performed the same service for Chile as Mr. Enock for Peru in his recent book, "The Andes and the Amazon."<sup>1</sup> He has, however, planned the work on a more ambitious scale, and enters with considerable detail into the early history of the country, devoting the first seven chapters to the period prior to 1700. The last nine chapters are devoted to a description of the economic, social and political conditions of modern Chile. In these chapters the author shows the same industry that characterized the earlier historical chapters, but it is also evident that he has failed to go very far below the surface in his analysis of political and social conditions. He does not bring out clearly the far-reaching influence of the triumph of parliamentary government in 1891 on the form and operation of the country's political system.

The chapters dealing with social customs and conditions are most interesting and give evidence of a keen power of observation. In this book we have the first step toward a study of South American social conditions, and it is to be hoped that the author will undertake similar studies in the other republics.

In the concluding chapter Mr. Elliot presents an enthusiastic picture of the future possibilities of Chile. In this estimate he fails to take into

<sup>1</sup>"The Andes and the Amazon." C. Reginald Enock.

account the great social and industrial problems now confronting the country. Failure to give due weight to this phase of the Chilean situation robs the concluding chapter of much of its value.

L. S. ROWE.

*University of Pennsylvania.*

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**Shaw, Albert.** *The Outlook for the Average Man.* Pp. vi, 240. Price, \$1.25. New York: The Macmillan Company, 1907.

At first glance, one is tempted to call this book "The Outlook for the Average Young Man," as five addresses to college men constitute its contents. The title is well chosen, however, as expressive of the central thought running through the five chapters. A spirit of optimism pervades the pages and stamps the discussion of various professions which open to college men—but not the extreme optimism which has been defined as "not worrying about what is going to happen, so long as it is not going to happen to you."

The chapter on "The Business Career and the Community" considers the public aspects of the various professions. The lawyer, physician, teacher, engineer, architect, journalist, legislator, have each a public character. Every professional man should possess a sort of public spirit in his line of work; the physician should be interested in the health of the community, the journalist in its enlightenment, the engineer in general sanitary conditions. Public spirit is defined as "that state or habit of mind which leads a man to care greatly for the general welfare," and the development of this state of mind should be the great object of all training. Business also is of a public nature. "How to organize business life on a basis at once stable and efficient; how to see that capital is assured of a normal even though declining percentage of dividends, while labor shall be rewarded according to its capacity and desert,"—these are problems concerning the whole community and worthy the best efforts of the trained mind. Railroads and banks are already recognized as closely connected with the general welfare; and "there are regions where the capitalist who builds a cotton mill or factory is rescuing whole communities from degradation."

"From the standpoint of the intellectual interest of the young man going into business, let it be borne in mind that there are scientific principles underlying every branch of trade or commerce or industry, and that there is almost, if not quite, as much room for the delightful play of the faculty of imagination in the successful conduct of the soap business, as in writing poetry, or in making statuary groups for world's fairs."

ERNEST SMITH BRADFORD.

*Washington, D. C.*

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**Simpson, W. J.** *A Treatise on Plague.* Pp. xxiv, 466. Price, 16 shillings. Cambridge: University Press.

As a disease capable of causing more than a million deaths in India during a single year, 1904, as the cause of the famous "Black Death," and innum-

erable other epidemics of no less deadly destruction in the Old World, plague must be regarded as one of the most important of all the forces against which Eastern peoples have had to contend. The Western Hemisphere has fortunately been singularly free from great outbreaks of this disease and with due precaution, this degree of immunity will doubtless continue. In Asiatic countries, on the contrary, much work is necessary before those regions of poverty and distress can hope to be rid of plague ravages. For India especially it is a grievous calamity, bringing suffering and desolation which cannot be realized by those outside the country's borders. With thirty or forty thousand deaths a week during the plague season, India is confronted with scarcity of labor and declining trade in the provinces most affected. As a social and economic factor, therefore, plague assumes gigantic proportions, and carries with its study an interest attaching to few other diseases.

In this monograph the author has divided his discussion into four general fields as follows: first, the history and geographical distribution of the plague; second, the epidemiology of plague; third, the clinical and therapeutic features; and finally, the measures for prevention and suppression of the disease. An appendix gives the provisions adopted by the International Sanitary Convention, meeting at Paris in 1903, presenting the rules to be observed when plague appears.

The historical section deals mainly with the great epidemics during the Christian era, and points out the close relation between trade and the spread of plague which was recognized at a very early date. This relation, however, is most strikingly illustrated by the fact that even down to the present time the disease, common enough at Chinese seaports, has not made extensive inroads into the interior of the country except in those districts where waterways connect them with infected localities. With the rapid trade development of Eastern Asia, and the building of railroads where such routes have not existed heretofore, the necessity of plague control becomes all the more urgent not only in Asia itself, but also in those countries which are rivals in Asiatic trade. This fact is shown graphically on a map of the world, giving the location of endemic centers and the spread via maritime routes in the decade 1894 to 1904.

The most interesting part of the volume is the portion dealing with the epidemiology of plague, discussing as it does the relation between epizootics and plague epidemics, the effect of meteorological, climatic and seasonal conditions, social and sanitary conditions, and the spread of plague in pandemics. Several striking diagrams illustrate the close relation between mortality among rats and human deaths from plague, a relation observed by the Syrians 3,000 years ago. The author's conclusions regarding the factors favoring epidemics and pandemics may be summarised as follows: that they are generally associated with unusual seasons, as drought and famine years, which bring distress and misery, with political, social or economic conditions which are the reverse of prosperous, and with laxity or absence of sanitation. Where the social conditions are worst, where poverty, misery, overcrowding, poor food, and unsanitary conditions pre-

vail, there plague commits its greatest ravages. Hence the remedy becomes largely a social question.

Entirely apart from its medical aspects, which are here readily intelligible even to the layman, the study of plague must prove decidedly fascinating to anyone at all interested in social, political or economic problems. A topical table of contents, a full index and numerous excellent charts and diagrams add greatly to the value of the book.

*University of Pennsylvania.*

WALTER SHELDON TOWER.

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**Smith, J. Russell.** *The Story of Iron and Steel.* Pp. xi, 193. Price, 75 cents. New York: D. Appleton & Co., 1908.

Complete in detail, clear and forceful in diction, with few technical terms, this book may truthfully be described as the first satisfactory popular history of the world's greatest industry. Although of small compass this volume gives what larger volumes have failed to do—namely, an intelligent, readable presentation of the broad aspects of iron and steel making, which are of interest to the average man. It discusses not only the purely technical development from a historical standpoint, but also the no less important economic and commercial results accompanying this development.

The chapters deal in order with iron ores and their formation; the early history of iron; the beginning of modern iron-making and its introduction into America; the anthracite epoch; the coke epoch; the leadership of Great Britain in the nineteenth century; the coming of the age of steel; the supremacy of the United States; consolidation and combination in production; and the ore and steel supply of the future.

The last two phases of the subject have called forth the presentation of essentially new views. In the author's opinion the steel trust is based on possession of the best ore and is a secure monopoly only in so far as it controls the most important sources of raw materials. Certain independent concerns, favored by location may be regarded as benefiting from the formation of the trust because of the consequent price control. The security of the trust, moreover, depends on a continuation of present processes of iron and steel manufacture as illustrated by the obvious conclusion that a trust formed on the use of anthracite coal would have perished unless it could have changed its basis early in the succeeding coke epoch. Without radical changes in technical processes the supremacy of the trust is likely to increase as the independent supplies of raw material are exhausted. The revolutionary change of technical process is, however, not such a remote possibility after all. The perfection of the electric furnace to such a degree that it will become an important industrial factor, and the necessity of turning to ore supplies now considered inferior or impossible to adapt to existing processes, unquestionably mean vast changes in the future. Just what these changes will be is, of course, a speculative matter, but the discussion of them, in so far as is possible, forms one of the most interesting parts of this very instructive book.

*University of Pennsylvania.*

WALTER SHELDON TOWER.



**Spargo, John.** *The Common Sense of the Milk Question.* Pp. xiv, 351. Price, \$1.50. New York: Macmillan Company, 1908.

In his latest book Mr. Spargo undertakes to provide a statement of the milk problem that can be readily understood and appreciated by the man of average intelligence. He succeeds admirably and his work ought to prove extremely useful. The book takes up, in simple, popular fashion, the question of infant feeding. It points out the dangers of filth in milk and of milk-borne diseases, especially tuberculosis. The plain facts here rehearsed, without any attempt at sensationalism, will arrest the attention of every thoughtful reader and help him realize how great is our social responsibility for the ignorance and carelessness that bring about such a terrible slaughter of the children.

The second half of the book deals with the various methods of improvement and their remarkable results in saving child life. Mr. Spargo urges drastic inspection laws to stamp out tuberculosis, and favors invoking the federal authority for this purpose. He advocates municipal dairies to supply public institutions, with ultimate extension so as to provide milk for children outside. His final chapter outlines a comprehensive policy for securing good milk, with the following points: "Healthy herds—efficient inspection—insistence upon cleanliness and careful handling of the milk—municipal farms for the providing of public institutions, infant's milk depots for the sale of properly modified and pasteurized milk for babies, and education of the mothers and of the girls before they reach wifehood and motherhood." It is a reasonable, practical program, just as the book is a reasonable, practical book. A good index and a list of some of the best references add to its value.

H. R. MUSSEY.

*University of Pennsylvania.*

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**Spears, J. R.** *A History of the United States Navy.* Pp. xii, 334. Price, \$1.50. New York: Charles Scribner's Sons, 1908.

The greater part of this book is occupied in telling the story of our important naval battles, giving considerable attention to the "heroes" who commanded the American ships. In addition, there are brief chapters on the naval situation at the beginnings of our war and on the development of ships and guns in the old navy, the building of our present "White Squadron," and the naval development of the past ten years. Except in the opening chapter, which discusses the organization of our first navy, the question of administration is not considered.

The general thesis is that the United States has had peace when her navy was strong and well prepared and has had one war with imminent danger of others when our navy was neglected. On this basis, the natural plea for a larger navy, as a safeguard to peace, is made. Emphasis is laid on the foolishness of the policy of "peaceable coercion," which preceded

the war of 1812, and on the effects of "letting other nations experiment for us" during the quarter-century following the Civil War, when modern war vessels were being developed. The most radical feature of the book is a recommendation that the Naval Academy be made free to all who can pass its examination, in the hope of manning our ships with its graduates and creating an efficient naval reserve.

RAYMOND G. GETTELL.

*Trinity College.*

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**Urussov, Prince Serge D.** *Memoirs of a Russian Governor.* Translated by H. Rosenthal. Pp. 181. Price, \$1.50. New York: Harper & Bros., 1908.

Russia has always been a land shrouded in more or less mystery. We have heard of its government system almost entirely from the outside. It remains for Prince Serge Urussov to show us a view from the inside. Because of his experience as governor of the province of Bessarabia he is enabled to give an authentic sketch of the complex workings of the Russian government. Although a staunch patriot, he is not blind to the evils of the administration. The corruption and intrigues of officials, the schemes of the police department, the oppression of the Jews and the peasants are described with a surprising breadth and fairness of judgment.

The discussion of the relations of the Russian government with the Jews forms the most interesting and most important part of the "Memoirs." Prince Urussov became governor of Bessarabia soon after the massacre at Kishinef, he was present at the trial of the ringleaders, and it was due to him that the relations between the Jews and the other Kishinef inhabitants were amicably settled. Hence his discussion of the massacre and the whole Jewish situation has peculiar significance and weight. He shows how the Jews are oppressed, especially in the treatment of Jewish conscripts, in the detailed laws regulating their professions and providing where they shall live. The Jews are required to give a greater quota of men for the army than are the other Russian subjects. Russia makes no effort to educate the Jews. Along with the other oppressive measures are the heavy taxes. Most absurd was the basket tax, a tax levied on meat and fat. Butchers were compelled to separate them and thus reduce the value of merchandise. If all these measures were enforced, the fate of the Russian Jew would be indeed almost insupportable. But the ease with which the police can be bribed has made it possible to evade many of the troublesome laws.

Besides this discussion of the Jews, Prince Urussov says much about the provincial administration, and gives a rather amusing account of Kishinef society, its customs and habits. The "Memoirs" are written in an easy, natural style, and there are a few touches of humor. Because of the light it throws upon the inmost workings of the Russian government it is a book which everyone will read with interest. Mr. Rosenthal, the

translator, has rendered a good service in bringing such a book within our reach.

LURENA WILSON TOWER

Philadelphia.

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**Watson, W. P.** *The Future of Japan.* Pp. xxi, 389. Price, \$3.50. New York: E. P. Dutton & Co., 1907.

In this book the author has attempted a broadly planned synthesis of Japanese political and social psychology. As is generally the case in works of this nature, we must not understand the latter term in too technical a sense. Among the many books on national and race psychology which have been written in the last decade or so, there is not one which confines itself strictly to considerations which may be technically called psychologic. In fact, they often give us merely a general description of institutions and manners. In the present volume, however, intellectual and psychologic factors occupy the center of the stage.

Mr. Watson's book does not shed any new light on the details of Japanese social and political organization, nor is it intended to be an account or summary of Japanese institutions. It is an analysis of present conditions and tendencies implying certain directions of development. Though the work contains no new facts, there is a redistribution of emphasis, which brings out into strong relief certain considerations that have thus far perhaps not been given the weight which they justly deserve.

In discussing the character of the political institutions of Japan, the author dwells chiefly upon their oligarchic nature. The fact that throughout the great period of reform and regeneration, the mass of the people has taken no active part in public affairs, that on the contrary, the destiny of the empire has rested in the hands of a small group of experienced leaders, is very strongly and clearly set forth by the author, with all its secondary consequences. The abyss between the people and their leaders is one of political power rather than of social feeling. The author accounts for the abuse and the frequent attempts at assassination directed against the leaders, the contempt of authority which is at times surprising, through the fact that the leaders have themselves repudiated the older canons of authority.

The author does not recognize any radical psychological difference between the Japanese and the European mind. There may be disagreement as to certain values, but there is an ultimate rational identity. The substance of reason is the same to both. The author's main thesis in this work may be summarized as follows: The leaders of the Japanese regeneration have as their ideal a state free from religion, governed by the unquestioned principles of science and logic. However, while not recognizing any religion, they have been forced to utilize religious emotions in the cult of the emperor and loyalty to the fatherland, which is, in fact, the basis of their authority. On the other hand, they have in the constitution openly invited the public in general to participate in political action.

To the author's mind the ideas of commonwealth organization and of imperial sanctity are incompatible. The religion of loyalty which has helped the people of Japan over the present crisis will gradually wane and Japan will then feel the need of a religious interpretation of life. He does not discover anything in Bushido, Shintatism or Buddhism which may be made the basis for a future regeneration of religious Japan. The solution he suggests is that Japan should come to appreciate the power and importance of the personality of Christ.

PAUL S. REINSCH.

*University of Wisconsin.*

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**Weale, B. L. P.** *The Coming Struggle in Eastern Asia.* Pp. 640. Price, \$3.50. New York: Macmillan Company, 1908.

This volume makes more definite the author's reasons for regarding the Peace of Portsmouth and the second Anglo-Japanese alliance with dissatisfaction, if not, indeed, with distrust and apprehension. A year ago he qualified the general enthusiasm with which these instruments were received by the disconcerting statements of facts contained in "The Truce in the East and its Aftermath." The outlook has now become clearer, but even less assuring than before. The East is still on the eve of great events. The former book pointed to the possibility that the advance in China would come with sufficient rapidity to make a speedy recurrence of the events of 1904-05 improbable, if not impossible. Such a development now seems less to be relied upon.

Russia, still firmly entrenched on the north, is consistently pursuing her colonization policy, and even at the present time is "three or four times as strong in the Far East as she was in 1904." The grain fields and cattle farms of Siberia, with the control she possesses through the railway over the resources of Northern Manchuria, will put her in an increasingly strong position in future negotiations concerning Eastern Asia. The late war was for her only a preliminary skirmish. Japan's attitude is one of contradiction. Having tried to play up to the standard of a first-class power she now finds herself without the material resources or financial backing to keep up the part. Notwithstanding her position, in fact precarious, she is adopting a policy of aggression not only in Corea, but in Manchuria and China generally, which if unmodified, cannot but lead her again into international trouble. The attitude of all the agencies of her government is to observe the letter, but disregard the spirit of the engagements into which she has entered, guaranteeing the "open door." Her government is completely under the control of the bureaucracy, and can therefore carry on a far-sighted and consistent policy with much less difficulty than is possible in countries under true democratic control. Germany and France are unknown quantities, neither of them at heart disposed to give strong support to the doctrine of equal opportunity, and both determined to be ready for a share of the spoils, if the turn of events brings a division.

The author's attitude toward the recent agreements guaranteeing the

integrity of China is a double one. At times the extension of these guarantees to include Germany and the United States is urged, but most of the argument stigmatizes them as bad diplomacy, the end of which is to guarantee the powers against each other instead of working for the real advancement of China by aiding her to escape from her present anomalous international position. The satisfactory solution of affairs lies in the hands of England and the United States. The former is bound by the Anglo-Japanese alliance which the author considers a bad diplomatic blunder, but England could still accomplish much by insistence upon the actual rather than formal observation of the open door and the speedy execution of the Mackay treaties. The interests of the United States should prompt the adoption of these same policies, and in addition the republic should at once take steps to secure the predominance of its fleet in Asiatic waters. Neither of these powers is using at present the active diplomacy its interests should dictate.

The general tone of the book is one of disappointment and gloom. The criticisms are often directly opposed to those commonly passed on the same subjects in Europe and America, but the conclusions are reached by an acute observer of Oriental affairs and are based on statements of fact convincing and often startling, a fact which gives the arguments more than ordinary weight.

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**Wells, H. G.** *New Worlds for Old.* Pp. vii, 333. Price, \$1.50. New York: Macmillan Company, 1908.

Not for a long time has the literature of socialism been enriched by a more reasonable and entertaining book than this. Though a convinced socialist, Mr. Wells is not obsessed of a formula; there are several things in the future about which he is not certain; his pages do not run red with the blood of those marvelous metaphysical creatures, capitalists and proletarians. It is all very strange and refreshing.

Instead of starting out with Karl Marx and the class struggle, Mr. Wells begins with what he calls the two main generalizations of socialism: First, "That the community as a whole . . . and every individual in the community . . . should be responsible for the welfare and upbringing of every child born into that community;" and, second, "That the idea of the private ownership of things and the rights of owners is enormously and mischievously exaggerated in the contemporary world." On these propositions Mr. Wells bases his arguments and they are rather hard to quarrel with in the moderate form in which he states them. Given this basis, then, social development becomes chiefly a question of method. In fact, the distinctive merit of this book is its insistence on the mental quality of socialism, the fact that it is a matter of expanding men's spirit of action and habitual circles of ideas, as the author put it.

With rare skill Mr. Wells takes up the most common objections to socialism. Then follow three historical chapters, outlining the ideas of



the Utopians and Marx and paying tribute to the services of the Fabians. These chapters are notable for the clearness with which they recognize the political and social reorganization that must accompany any progress toward a socialistic system. There are two interesting and ingenious chapters of speculation as to what life would be like under socialism. Apparently men will live pretty much as they do now, except that they will be healthier, happier, more efficient and less worried; it is easy to make men so on paper. The only persons whom the book need make thoroughly unhappy are Mr. Mallock and the simon-pure Marxists.

Mr. Wells has written an excellent book, though not a perfect one. Some of his difficulties he slurs over instead of meeting them squarely. He seems to over-emphasize the destruction overtaking the middle class. He paints the socialist agitation in colors rather too quiet, and tones down its extravagances a bit unjustifiably, if we are to view his book as representative of the whole movement. But his work in picturing the essential elements in socialism and in indicating its goal, as seen by an unusually clear-headed socialist, leaves little to be desired. The book is good-tempered, fair, sane and well written. The best thing to do with such books is to read them.

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**Westlake, John.** *International Law.* Two vols. Pp. xxvi, 690. Price, 9s. each. Cambridge: University Press; New York: G. P. Putnam's Sons, American Agents.

Prof. Westlake has given us an excellent compendium on international law. He has not attempted an exhaustive and technical treatise, but rather a general work, which would appeal both to university students, publicists and that widening circle of the reading public interested in international questions. The first volume is devoted to the law of peace; the second volume to the law of war and of neutrality.

The distinguishing characteristic of Prof. Westlake's work is that he has succeeded in emancipating himself from the insular prepossessions which have heretofore characterized so many of the British works on international law. His work indicates not only a thorough acquaintance with the details of international practice, but also a broad philosophical grasp and a rare ability to coordinate facts in such way as clearly to illustrate general principles.

The author's treatment of the equality of states is particularly interesting and instructive. With great clearness and precision he shows the gradual growth of the European Concert and its influence on the general doctrine of equality. He also shows an excellent grasp of the broader bearings of the Monroe Doctrine, which he rightly judges, not as a rule of international law, but as a principle of American policy.

The work also contains two exceedingly valuable chapters on international arbitration (Vol. I, page 332), and on the Hague Conference of

1907 (Vol II, page 266). In these two chapters the author presents concisely the progress that has been made during recent decades.

While this work cannot be said to present the subject from a new point of view, it is in many respects the most satisfactory summary of the present status of international law available to English speaking students.

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